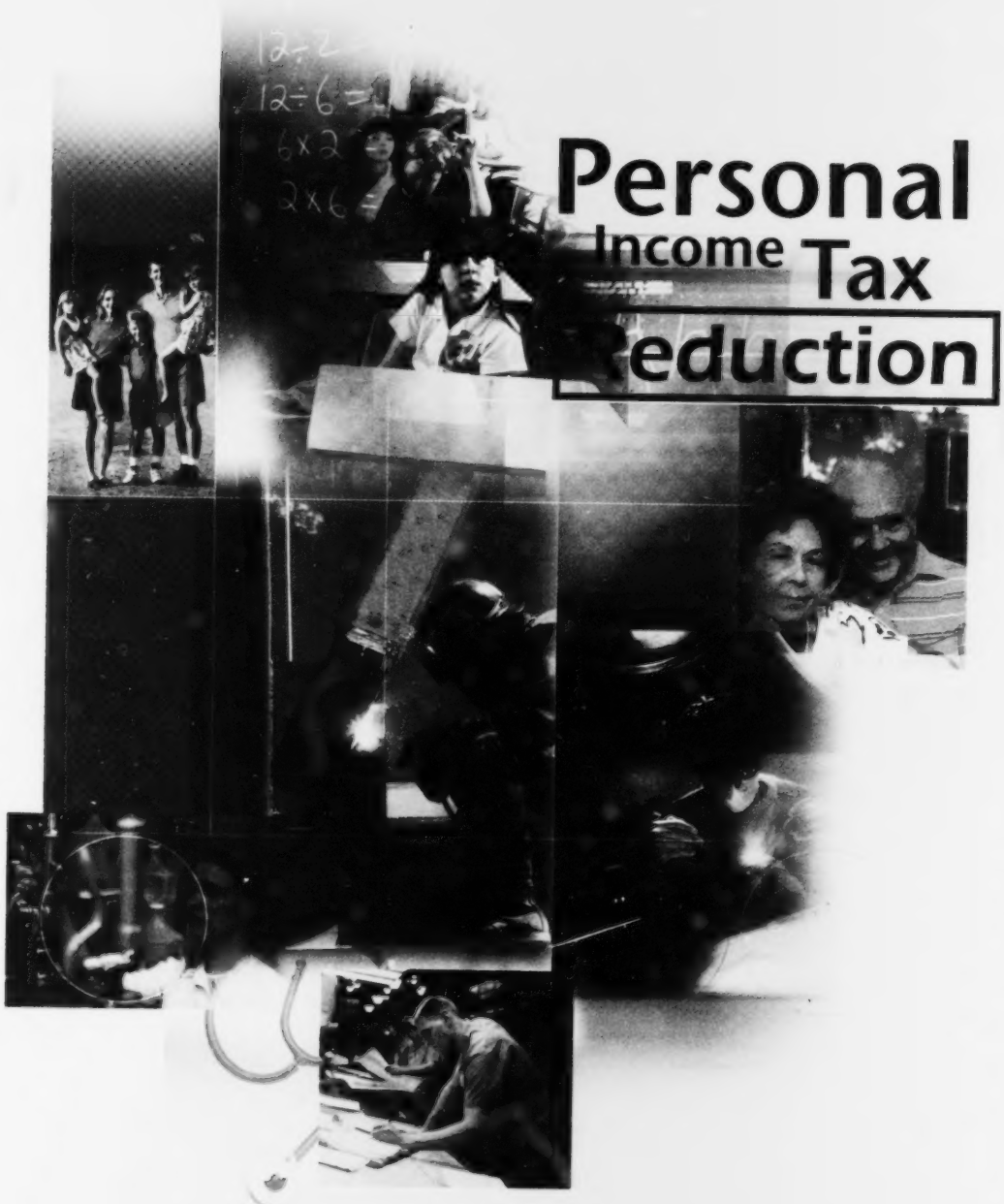
Discussion paper



Personal Income Tax Reduction

Québec

Discussion paper

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Personal Income Tax Reduction

Gouvernement du Québec
Ministère des Finances

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FOREWORD

by the Deputy Prime Minister and Minister of State for the Economy and Finance

We have succeeded in eliminating our budget deficit, one year ahead of schedule, through an unprecedented effort to restore public finances. As a result, we can now tackle another major project—the reduction of personal income tax.

Progress has already been made in this respect, as we did not wait to balance the budget before implementing an initial reduction in personal income tax, in the amount of $841 million, as set forth in the ***1997-1998 Budget Speech****. Moreover, last year I announced an improvement to the corporate tax system, in particular for small and medium-sized businesses.*

The Québec government is stepping up its tax-reduction efforts in this regard, and scrupulously meeting the commitments made during the election campaign. We will reduce personal income tax by $1.3 billion during the current mandate, while ensuring that we have at our disposal the resources required to finance the reduction. This decrease represents a significant effort on the part of the government, as the $15 billion collected in personal income tax will be reduced by 9%.

A reduction of $400 million will be implemented next year as the first stage in the overall $1.3-billion reduction, and will be set down in this year's draft legislation amending the ***Taxation Act****. In addition, the government will hold this year, in conjunction with the activities of the National Assembly, public consultations aimed at discussing with Quebecers the ways and means of achieving the overall personal income tax reduction.*

The document ***Personal Income Tax Reduction: Discussion Paper*** *is designed to facilitate the upcoming discussions. In the document, the government sets forth a number of tax reduction proposals, explains the reasoning behind them and describes their impacts. These proposals represent different ways of dealing with the social and economic issues confronting us. However, because of the recent reform of the personal income tax system, none of the proposals provides for changes to the basic structure of this system.*

Regardless of the proposal that is ultimately retained, the challenge before us is a formidable one. Québec's taxation system, in accordance with the values of solidarity and fairness upheld by Quebecers, is the most progressive in North America. These values must not be jeopardized.

At the same time, however, we must do everything in our power to lighten our far too heavy tax burden. The personal income tax system must take into account the increasing mobility of workers, the impact of income tax on growth and employment, and the competition we face from our economic partners.

The challenge may be formidable, but the project I am launching today is a worthy one. It is one of the first examples of the initiatives that we can take, now that public finances have been restored. The project will involve society as a whole in reaching an agreement on the approaches that will enable us to reconcile our values and interests.

The consultations we are about to embark on confirm the vitality of democracy in Québec, in that we are capable of discussing, in an orderly and open manner, subjects as crucial as the distribution of the tax burden. The discussions, to which the government invites representatives of the various groups within society, will be held during the coming year, as part of the parliamentary commission on the ***reduction of personal income tax****.*

The government has high expectations for the upcoming discussions, as they are to form the basis for clearly defining the means for reducing personal income tax. This is a challenge we must meet.

BERNARD LANDRY

SUMMARY

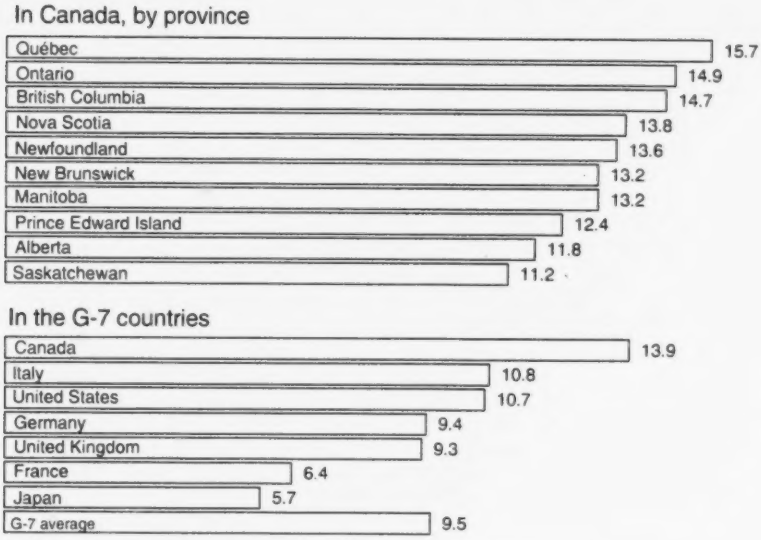
With the document ***Personal Income Tax Reduction: Discussion Paper***, the government is opening a discussion on the best approach to easing the tax burden of individuals. The government has made a commitment to reducing personal income tax by $1.3 billion in the course of this mandate, with an initial reduction of $400 million slated for next year. This initial reduction will be included this year in a bill to amend the *Taxation Act*.

☐ The tax burden of individuals and the progressivity of the income tax system in Québec

As a percentage of the gross domestic product (GDP), the total tax revenues collected by all levels of government are higher in Québec than elsewhere in Canada. In Québec, the percentage of the GDP constituted by tax revenues is higher than that in all of the G-7 countries except France and Italy.

This situation is largely attributable to the high levels of personal income tax: as a percentage of the GDP, personal income tax is higher in Québec than in all other Canadian provinces and all G-7 countries.

PERSONAL INCOME TAX AS A PERCENTAGE OF THE GDP
1996



Sources: OECD and ministère des Finances.

Since 1996, Québec and most other provinces have announced a reduction in personal income tax. However, in spite of the additional $400-million income tax reduction planned for next year, the tax burden of Quebecers will still be the highest in Canada.

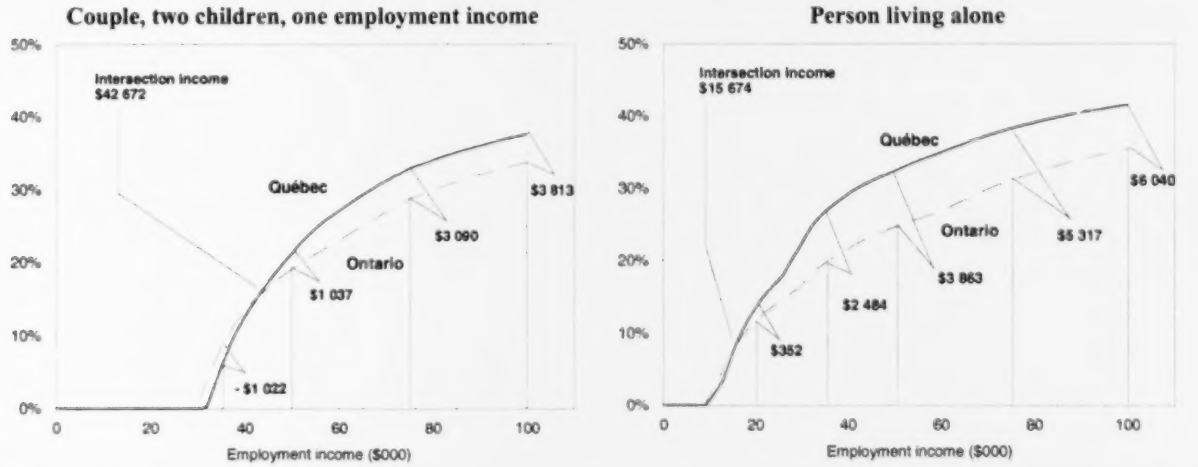
Even though personal income tax is higher, relatively speaking, in Québec than elsewhere, this additional tax burden is not borne by all taxpayers.

In comparison to tax systems in other jurisdictions, the Québec personal income tax system is particularly progressive:

- families and low-income households without children pay less income tax than in other jurisdictions;

- higher-income families and higher-income households without children pay more income tax than in other jurisdictions.

COMPARISON OF THE DIFFERENCE IN INCOME TAX PAYABLE IN QUÉBEC AND ONTARIO
Average tax rate



□ Reduction of personal income tax: objectives to consider

The first objective of a tax system is to collect sufficient income in order to finance public expenditures. However, in the elaboration of tax policy, several other objectives, either general or specific, may also be taken into account. In most industrialized countries, the objectives of a tax system are not based on specific rules, but are the combined result of a number of concerns. The challenge consists in striking the right balance between these different objectives, that is, the balance that best reflects the choices and preferences of the society in question.

The income tax relief that the government has committed itself to providing in the course of its second mandate could, for example, take into account the following objectives:

- maintaining or increasing the progressivity of the tax system;
- rendering the tax system more favourable to employment by
  - maintaining the incentive to work;
  - ensuring that the income tax gap between Québec and its competitors is not too wide.

□ Presentation of five proposals for the reduction of personal income tax

In this document, five proposals for the reduction of income tax are presented by the government. They stem from the objectives previously identified.

The forthcoming discussions opened by the government could result in the adoption of one of these five proposals, or give rise to a new one.

The five proposals have the following basic criteria in common:

- Each would make it possible to retain a relatively high degree of progressivity in the tax system, and the assistance currently available to families and to low-income households would be maintained or improved.

- Each would improve the competitiveness of the tax system, particularly by reducing the income tax of middle- and high-income households.

- None would result in an increase in the tax burden of households.

- None would require changes to the basic structure or operation of the personal income tax system.

However, the proposals are different with respect to

- their impact on the various categories of taxpayers (low-income households, middle-income households or high-income households; families or households without children), and

- the scope of the personal income tax reduction, as two of the five proposals provide for a tax reduction of over $1.3 billion that would need to be partially financed by means of measures yet to be identified.

IMPACT ON THE TAX BURDEN
(In millions of 1999 dollars)

	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
PERSONAL INCOME TAX					
— Changes to the tax table	-1 123	-1 188	-1 756	-1 060	-1 460
— Increase in the flat amount to $2 450	-60	-60	-60	-60	-60
— Increase in the amounts giving entitlement to non-refundable tax credits	—	—	—	-190	-190
— Increase in the tax reduction for families	-150	-90	-90	—	—
Subtotal	**-1 333**	**-1 338**	**-1 906**	**-1 310**	**-1 710**
PARTIAL FINANCING MEASURES	—	—	**600**	—	**377**
IMPACT ON THE TAX BURDEN	**-1 333**	**-1 338**	**-1 306**	**-1 310**	**-1 333**

The proposals presented for the purposes of the discussion have impacts that vary depending on the category of household.

The following two tables illustrate, for certain categories of households and different income levels, the impact of the five proposals on income tax payable, and the difference between the amount of income tax payable in Québec and that in Ontario.

IMPACT OF THE PROPOSALS ON INCOME TAX PAYABLE

		Income tax reduction									
Employment income	**Québec income tax**	**Proposal 1**		**Proposal 2**		**Proposal 3**		**Proposal 4**		**Proposal 5**	
$	$	$	%	$	%	$	%	$	%	$	%
Couple, two children, one employment income											
15 000	—	—	—	—	—	—	—	—	—	—	—
25 000	—	—	—	—	—	—	—	—	—	—	—
35 000	1 395	713	51.1	491	35.2	654	46.9	447	32.0	447	32.0
50 000	5 745	1 343	23.4	911	15.9	1 074	18.7	897	15.6	897	15.6
75 000	12 305	719	5.8	1 479	12.0	1 642	13.3	1 647	13.4	2 397	19.5
100 000	18 805	719	3.8	2 479	13.2	2 642	14.0	1 897	10.1	3 897	20.7
Person living alone (under 65 years of age)											
15 000	861	79	9.2	79	9.2	135	15.7	90	10.5	90	10.5
25 000	2 861	179	6.3	179	6.3	335	11.7	90	3.1	90	3.1
35 000	5 403	590	10.9	440	8.1	736	13.6	374	6.9	374	6.9
50 000	8 853	830	9.4	590	6.7	886	10.0	824	9.3	824	9.3
75 000	15 353	830	5.4	1 590	10.4	1 886	12.3	1 574	10.3	2 324	15.1
100 000	21 853	830	3.8	2 590	11.8	2 886	13.2	1 824	8.3	3 824	17.5

IMPACT OF THE PROPOSALS ON THE DIFFERENCE BETWEEN THE AMOUNTS OF INCOME TAX PAYABLE IN QUÉBEC AND ONTARIO
(In dollars)

Employment income	Québec-Ontario difference[1]					
	Current system	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Couple, two children, one employment income						
15 000	—	—	—	—	—	—
25 000	—	—	—	—	—	—
35 000	-1 022	-1 735	-1 513	-1 676	-1 469	-1 469
50 000	1 037	-306	126	-37	140	140
75 000	3 090	2 371	1 611	1 448	1 442	692
100 000	3 813	3 094	1 334	1 171	1 916	-84
Person living alone (under 65 years of age)						
15 000	-55	-134	-134	-190	-145	-145
25 000	760	581	581	425	669	669
35 000	2 484	1 894	2 044	1 746	2 110	2 110
50 000	3 863	3 033	3 273	2 977	3 039	3 039
75 000	5 317	4 487	3 727	3 431	3 743	2 993
100 000	6 040	5 211	3 451	3 154	4 216	2 216

1. A positive amount means that income tax is higher in Québec than in Ontario. A negative amount means that income tax is lower in Québec than in Ontario.

The information and proposals presented in this document will serve as a basis for the upcoming discussion of the ways and means of reducing personal income tax.

By opening a discussion on the means of reducing personal income tax, the government is in fact initiating a debate on our collective social objectives at a time when we can reap the initial benefits of the improvement of our public finances.

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INTRODUCTION

By publishing the document ***Personal Income Tax Reduction: Discussion Paper***, the government is opening a discussion on the best approach to easing the tax burden of Quebecers.

Above all, the document has been made available for information purposes: it provides an overview of the current fiscal situation in Québec and makes several proposals for change.

The document is divided into four sections:

- Section 1 gives an idea of the size of the tax burden borne by Quebecers, compares it to that borne by our principal economic partners, and explains the progressivity of Québec's income tax system.

- Section 2 gives an overview of the current personal income tax system.

- Section 3 deals with the various objectives that can be chosen with a view to lightening the tax burden of Quebecers.

- Section 4 sets forth five proposals for discussion, each of which is based on one or the other of the objectives referred to above.

1 The tax burden and the progressivity of the income tax system in Québec

1. THE TAX BURDEN AND THE PROGRESSIVITY OF THE INCOME TAX SYSTEM IN QUÉBEC

This first section of the document ***Personal Income Tax Reduction: Discussion Paper*** gives an overview of the situation with regard to the tax burden of Quebecers. More specifically, this section compares the Québec personal income tax situation with that of Québec's principal economic partners. The progressivity of the Québec tax system is also assessed.

1.1 The tax burden of individuals

In order to adequately characterize the tax burden in Québec, this section compares

- income taxes and other taxes in Québec with those in other jurisdictions;
- personal income tax in Québec with personal income tax in other jurisdictions;
- the tax burden borne by Québec taxpayers with that borne by Ontario taxpayers.

1.1.1 Comparison of tax revenues in Québec with those in other jurisdictions

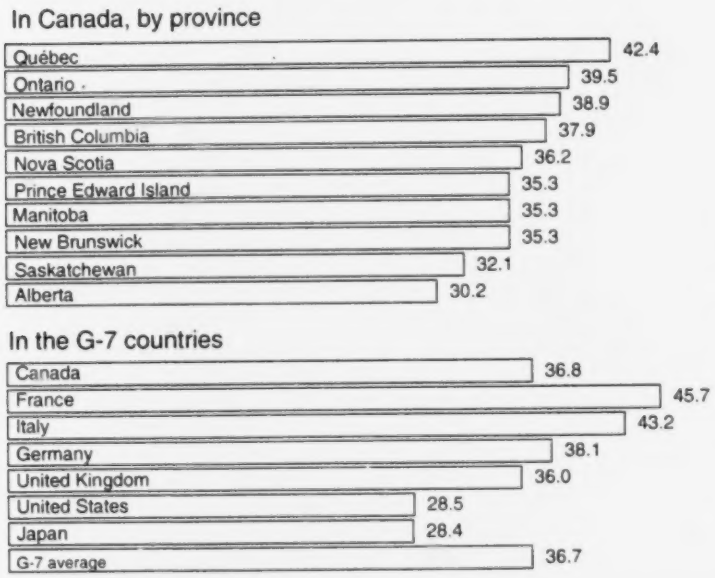
In 1996, the tax revenues collected by all levels of government in Québec (federal, provincial and local) equalled $73 billion, or $9 875 per capita. Québec thus ranked third in Canada in terms of per-capita tax revenues, after Ontario ($11 166) and British Columbia ($10 059).

However, even though per-capita tax revenues in Québec are not the highest in Canada, the relative importance of tax revenues is greater in Québec than in Canada and in a number of other countries, given Québec's more modest wealth.

To illustrate the weight of tax in Québec, the amount of income taxes and other taxes levied in Québec can be expressed as a percentage of gross domestic product (GDP) and compared to the percentage for other jurisdictions.

In Québec, the percentage of GDP constituted by tax revenues (42.4%) is higher than that in all of the G-7 countries except France and Italy. The figure is 36.8% for Canada, 36% for the United Kingdom and 28.5% for the United States.

GRAPH 1
TAX REVENUES AS A PERCENTAGE OF GDP
(1996)



Sources: OECD and ministère des Finances.

This stems from the fact that the capacity to pay, or fiscal capacity,[1] is lower in Québec than in these jurisdictions. For example, a comparison between Québec and the United States shows roughly equivalent per-capita tax revenues (a difference of only $68). However, because of the higher per-capita wealth in the United States, only 28.5% of its GDP consists of tax revenues; this is 13.9 percentage points lower than in Québec.

TABLE 1
COMPARISON OF PER-CAPITA GDP AND PER-CAPITA TAX REVENUES
(1996)

	Per-capita GDP		Per-capita tax revenues[1]		Tax revenues as a % of GDP	
	Level	Difference with Québec	Level	Difference with Québec	Level	Difference with Québec
	$	$	$	$	%	%
In Canada, by province						
Québec	23 303	—	9 875	—	42.4	—
Ontario	28 289	4 986	11 166	1 291	39.5	-2.9
Newfoundland	18 030	-5 273	7 006	-2 869	38.9	-3.5
British Columbia	26 521	3 218	10 059	184	37.9	-4.5
Nova Scotia	20 096	-3 207	7 279	-2 596	36.2	-6.2
Prince Edward Island	20 143	-3 160	7 119	-2 756	35.3	-7.1
Manitoba	23 998	695	8 470	-1 405	35.3	-7.1
New Brunswick	21 144	-2 159	7 463	-2 412	35.3	-7.1
Saskatchewan	26 575	3 272	8 523	-1 352	32.1	-10.3
Alberta	32 369	9 066	9 771	-104	30.2	-12.2
In the G-7 countries						
Canada	27 340	4 037	10 061	186	36.8	-5.6
France	25 065	1 762	11 455	1 580	45.7	3.3
Italy	24 391	1 088	10 537	662	43.2	0.8
Germany	25 853	2 550	9 850	-25	38.1	-4.3
United Kingdom	22 716	-587	8 178	-1 697	36.0	-6.4
United States	34 412	11 109	9 807	-68	28.5	-13.9
Japan	28 385	5 082	8 061	-1 814	28.4	-14.0

1. All public administrations.

Sources: OECD and ministère des Finances.

[1] The term *fiscal capacity* refers to the ability of a jurisdiction to collect revenues. Generally, the higher the per-capita wealth of a jurisdiction, the more public services it can provide without having recourse to unduly high levels of taxation. The per-capita gross domestic product is the most frequently used indicator of fiscal capacity.

□ The progression in the tax burden

The higher tax burden in Québec results in particular from the fact that the different levels of government that levy income taxes and other taxes in Québec absorbed a substantial portion of the increase in per-capita wealth from 1980 to 1996:

- in Québec, as in Canada, taxation has absorbed almost two-thirds of the increase in incomes since 1980, compared to 34.3% in the United States and 32.4% in the G-7 countries (excluding Canada).

- in Canada, the more rapid growth in the tax load has resulted mainly from the rise in the federal government's revenues, followed by the rise in the revenues of the provinces and local administrations.

TABLE 2
PORTION OF INCOME INCREASE ABSORBED BY TAXATION

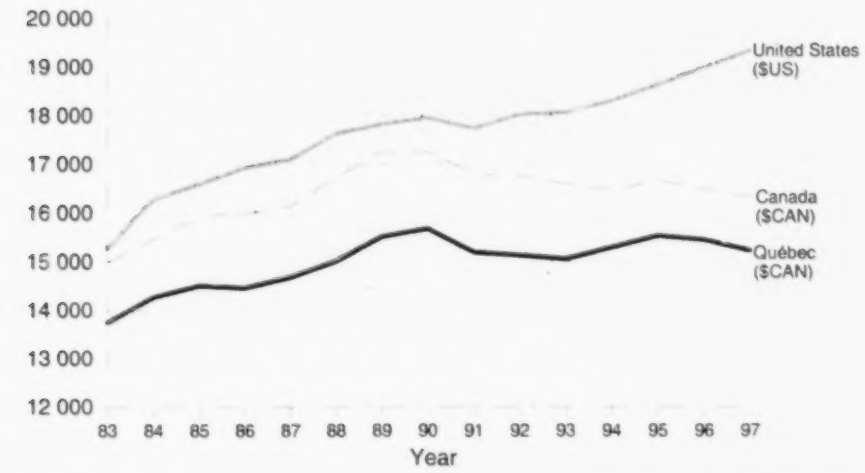
	Per-capita tax revenues in 1996 Canadian $			Per-capita GDP in 1996 Canadian $			Tax revenues as a % of GDP		Portion of income increase absorbed by taxation
	1980 ($)	1996 ($)	Increase ($)	1980 ($)	1996 ($)	Increase ($)	1980 (%)	1996 (%)	
Québec	7 313	9 875	2 562	19 410	23 303	3 893	37.7	42.4	65.8
Canada:	7 252	10 061	2 809	22 663	27 340	4 677	32.0	36.8	60.1
— Federal[1]	3 374	4 656	1 282				14.9	17.0	27.4
— Provinces[2]	2 909	3 949	1 039				12.8	14.4	22.2
— Other[3]	969	1 457	488				4.3	5.4	10.5
United States[4]	7 258	9 807	2 549	26 983	34 412	7 429	26.9	28.5	34.3
G-7 excluding Canada[4,5]	7 065	9 794	2 729	25 177	33 595	8 418	28.1	29.2	32.4

1. Includes income taxes, other taxes and employment insurance premiums.
2. Includes income taxes, other taxes, health insurance premiums and contributions to social programs.
3. Includes local tax revenues and contributions to public pension funds.
4. The data are given in Canadian dollars, according to the purchasing power parity exchange rate of 1996.
5. Averages weighted on the basis of Québec exports.

Sources: OECD, Statistics Canada and ministère des Finances.

The fact that taxes have absorbed a substantial portion of income has slowed down growth in the purchasing power of households. Even though the economy has continued to grow in the past several years, real income, after income taxes, has increased only very slightly in Québec and in Canada, whereas in the United States, a much more marked increase has occurred.

GRAPH 2
PROGRESSION IN REAL PERSONAL DISPOSABLE INCOME PER CAPITA
(In constant 1992 dollars)



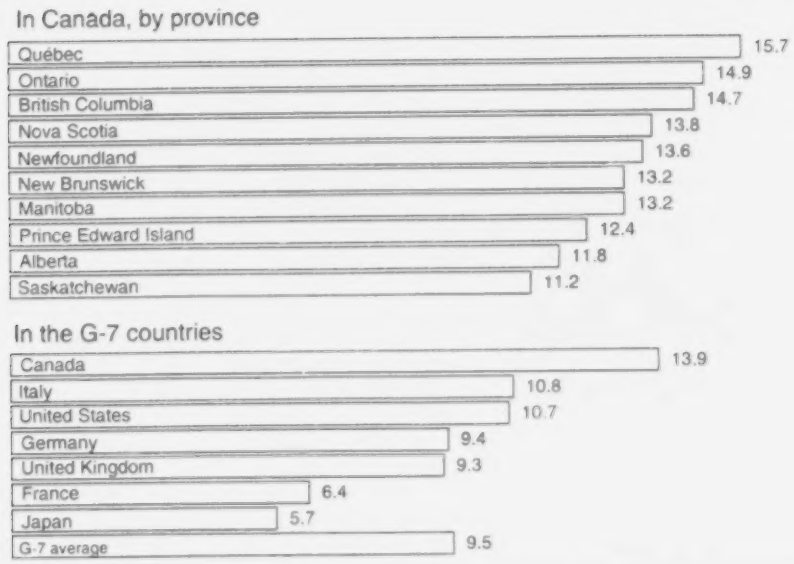
Sources: Bureau de la Statistique du Québec, Statistics Canada, Data Research Institute and ministère des Finances.

1.1.2 Comparison of personal income tax in Québec with that in other jurisdictions

The high level of tax revenues in Québec is largely attributable to personal income tax. In 1996, income tax represented 15.7% of GDP in Québec, compared to an average of 9.5% for the G-7 countries (the percentage was 13.9% for Canada and 10.7% for the United States).

The level of personal income tax in Québec is also higher than in any of the other provinces, where the level varied from 11.2% of GDP for Saskatchewan to 14.9% of GDP for Ontario.

GRAPH 3
PERSONAL INCOME TAX
AS A PERCENTAGE OF GDP
1996



Sources: OECD and ministère des Finances.

□ Income tax reduction by the provinces

Since 1996, Québec and most other provinces[2] have announced a reduction in personal income tax. The tax cuts range from 3.3% in Alberta to 30.2% in Ontario.

Québec reduced personal income tax by 6% in 1998. The $400-million reduction announced in this budget will mean an additional income tax reduction of 2.7% in Québec.

TABLE 3
REDUCTIONS IN PERSONAL INCOME TAX ANNOUNCED BY THE PROVINCES SINCE 1996[1]

Nova Scotia	Reduction of 3.4% from 1997 to 1999.
New Brunswick	Reduction of 6.3% from 1997 to 1999.
Québec	Reduction of 6% in 1998. Reduction of 2.7% as of July 2000.
Ontario	Reduction of 30.2% from 1996 to 1998.
Manitoba	Reduction of 3.8% from 1998 to 1999.
Saskatchewan	Reduction of 4% from 1998 to 1999.
Alberta	Reduction of 3.3% in 1998.
British Columbia	Reduction of 5.7% from 1996 to 1999.

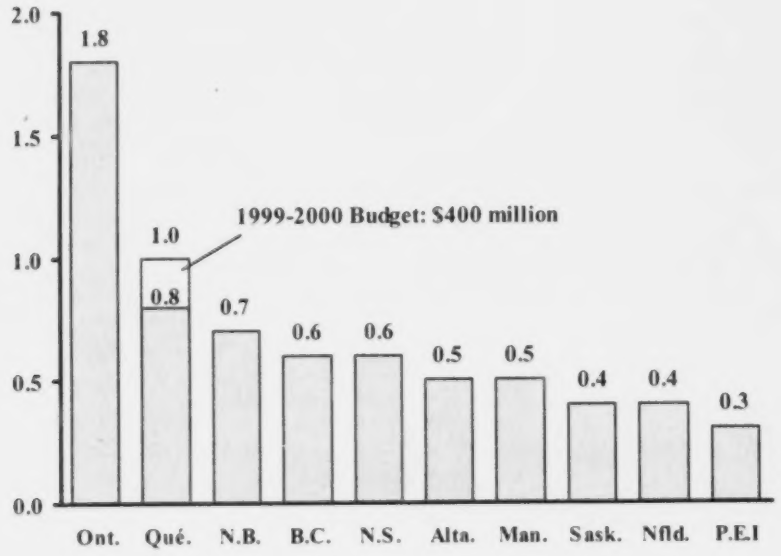
1. For Québec, the decreases are those announced in conjunction with the tax reform of 1998 and the 1999-2000 budget. For the other provinces, the decrease corresponds to a reduction in basic income tax (basic income tax is the product of the application of the provincial rate to basic federal tax).

Sources: Provincial budgets tabled before March 10, 1999.

2 Except Newfoundland and Prince Edward Island.

A comparison of the impact, on the tax burden borne by individuals, of the income tax reductions announced prior to this Budget by the provinces and the federal government shows that Québec has already narrowed the gap separating it from the other provinces, except Ontario. However, in spite of the additional income tax reduction planned for next year, the tax burden of Quebecers will still be the highest in Canada.

GRAPH 4
IMPACT OF INCOME TAX REDUCTIONS ANNOUNCED BY THE PROVINCES AND THE FEDERAL GOVERNMENT SINCE 1996[1]
(As a percentage of GDP for 1996)



1. Includes the impact of tax reductions announced by the federal government and the provinces in budgets tabled before March 10, 1999. For Ontario, includes the portion of the income tax reduction that came into effect in 1996, that is, 0.3% of GDP.

1.1.3 Comparison of the tax burden of Québec taxpayers and Ontario taxpayers

The comparisons presented previously show that certain jurisdictions, including Québec, levy more taxes in proportion to their gross domestic product than other jurisdictions do, in order to pay for public services. However, these comparisons do not give a complete picture of the heavier tax burden borne by Québec taxpayers.

A more precise measure of this tax burden is provided by a comparison of the income tax Quebecers currently pay with the income tax they would pay if the Ontario tax system applied in Québec.

Ontario has been selected for the purposes of this analysis, since it constitutes a pertinent basis for comparison. Ontario provides public services that are comparable to those provided in Québec. Its economy is large and diversified, and it is one of Québec's main trading partners.

This comparison takes into account all income taxes and other taxes levied on businesses and individuals by the Québec government and local administrations, for 1999.[3]

The results show that the tax burden of Québec taxpayers this year will be 13.4% higher than it would be if the Ontario tax system applied in Québec. This represents an additional $5 462 million.

[3] Does not include the impact of the measures announced in the 1999-2000 budgets of the Québec, Ontario and federal governments.

The difference in the tax burdens of Québec and Ontario is entirely due to the additional amounts of income tax and other taxes paid by individuals in Québec. Quebecers pay $6 378 million more in taxes, which amounts to $1 261 more for each Québec taxpayer.

With regard to personal income tax, the tax burden of Quebecers in 1999 is $5 445 million more (or $1 077 more per taxpayer) than it would be if they lived in Ontario.

TABLE 4
DIFFERENCE IN THE TAX BURDEN IN QUÉBEC AND ONTARIO (ONTARIO TAX SYSTEM APPLIED TO QUÉBEC FOR 1999)
(In millions of dollars)

	Tax burden in Québec	Québec-Ontario difference			
		Individuals	Businesses	Total	
	$M	$M	$M	$M	%
Provincial taxes					
Personal income taxes[1]	15 446	5 139	306	5 445	35.3
Corporate taxes[2]	5 686		1 247	1 247	21.9
Consumption taxes[3]	7 874	928	-1 052	-124	-1.6
Tariffs[4]	2 912	453	-326	127	4.4
Subtotal	**31 918**	**6 520**	**175**	**6 695**	**21.0**
Local taxes					
Municipal taxes[5]	7 414	950	-50	900	12.1
School taxes	1 374	-1 092	-1 041	-2 133	-155.2
Subtotal	**8 788**	**-142**	**-1 091**	**-1 233**	**-14.0**
TOTAL	**40 706**	**6 378**	**-916**	**5 462**	**13.4**

Note: Before the 1999-2000 budget speeches of the Québec, Ontario and federal governments.

1. The Québec tax abatement of 16.5 % is subtracted from the Québec-Ontario difference. Income taxes also include the contributions of Québec individuals to the health services fund and the anti-poverty fund (Fonds de lutte contre la pauvreté par la réinsertion au travail). The employer contribution to the health services fund and the portion of personal income tax attributable to business income are included under "Businesses."
2. Includes corporation income tax, the contribution to the anti-poverty fund, the tax on capital, the tax on insurance premiums, and the employer contribution to the health services fund.
3. Includes the Québec sales tax (QST), taxes on fuel and tobacco products, duties on alcoholic beverages and the refundable QST credit.
4. Includes tariff revenues and duties on natural resources.
5. Includes real estate tax refunds for Québec and the property tax credit for Ontario.

1.2 Progressivity of the Québec personal income tax system

Even though personal income tax is higher, relatively speaking, in Québec than elsewhere, this additional tax burden is not borne by all taxpayers. The personal income tax system in Québec, as in most industrialized countries, is a progressive system, that is to say, the tax rate increases with the taxpayer's income.

The degree of progressivity of a tax system may be illustrated by considering the following two factors:

- the number of taxpayers who do not pay income tax, in proportion to all taxpayers;

- the distribution of income tax among taxpayers.

In this section, the degree of progressivity of the Québec tax system is also compared with that of other tax systems.

1.2.1 A large number of taxpayers do not have to pay income tax

In order to allow for each taxpayer's ability to pay, the personal income tax system exempts from income tax the portion of income that is spent on essential needs.[4] A relatively high number of Quebecers therefore do not pay income tax.

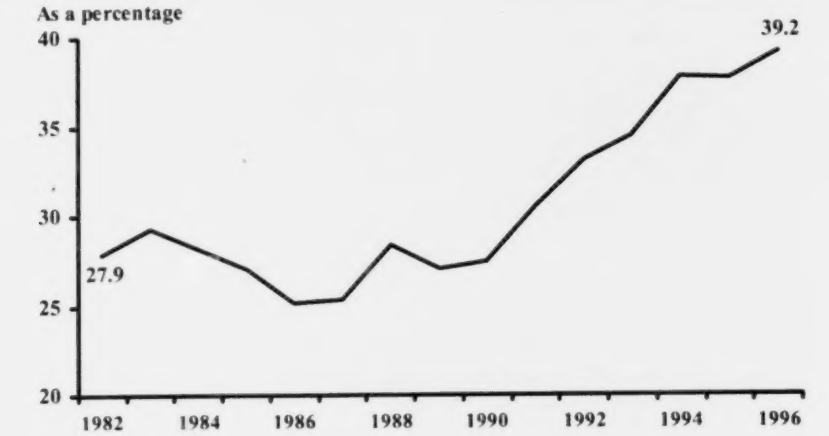
However, the substantial rise over the past few years in the number of taxpayers who do not pay income tax has increased the proportion of the tax burden borne by other taxpayers, thereby accentuating the progressivity of the income tax system.

[4] Additional information on the Québec personal income tax system can be found in section 2.

The latest available tax statistics, those for 1996, illustrate this fact. They indicate that, of the 5.1 million individuals who filed a Québec income tax return, 2 million did not have income tax payable.

The percentage of individuals who are not on the tax rolls has thus risen considerably, from 27.9% in 1982 to 39.2% in 1996.

GRAPH 5
PROGRESSION IN THE PERCENTAGE OF TAXPAYERS WHO PAY NO INCOME TAX
1982 to 1996



Sources: Ministère du Revenu and ministère des Finances.

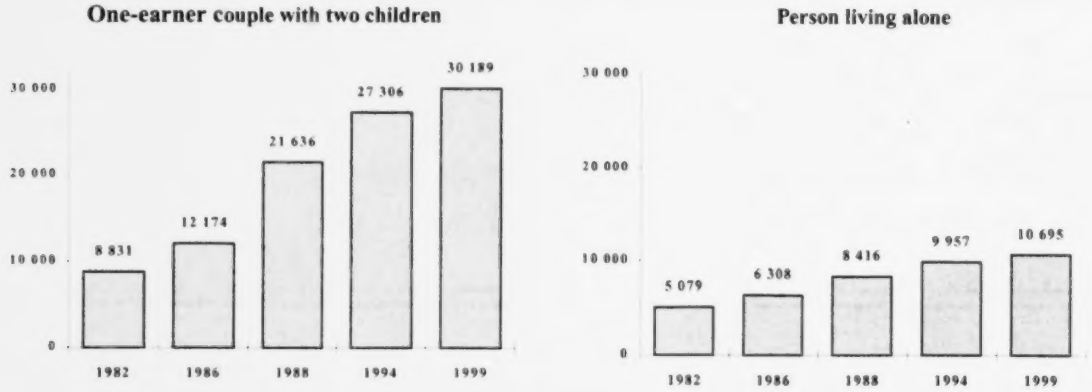
The rise in the level at which an individual begins to pay income tax in Québec (referred to as the "tax threshold") has contributed, to a substantial degree, to a more rapid rise in the percentage of taxpayers who do not pay any income tax.

Since 1982,

- the tax threshold of a family with two children has more than tripled, rising from $8 831 in 1982 to $21 636 in 1988 and $30 189 in 1999;

- the tax threshold of a person living alone has more than doubled, rising from $5 079 in 1982 to $8 416 in 1988 and $10 695 in 1999.

GRAPH 6
PROGRESSION IN TAX THRESHOLDS IN QUÉBEC
(In dollars)



Note: Does not include the impact of refundable tax credits and family allowances.

1.2.2 The distribution of income tax

In order to assess the progressivity of a tax system, it is also important to examine the distribution of income tax among taxpayers.

If income tax rates increase as the income bracket goes up, a redistribution of income results. In other words, persons with higher incomes contribute a proportionately greater share of their wealth to the financing of public services.

As a result, persons with higher incomes contribute a greater share, proportionately, of income tax revenues. Thus, as shown in the following table,

- taxpayers earning less than $20 000 paid 4.9% of all income tax payable, whereas their income represented 21.0% of the total income of Quebecers;

- taxpayers earning over $50 000, on the other hand, paid 48.4% of all income tax payable, whereas their income represented 32.8% of the total income of Quebecers.

TABLE 5
NUMBER OF TAXPAYERS, TOTAL INCOME AND INCOME TAX PAYABLE, BY TOTAL-INCOME BRACKET
(Taxation year 1996)

Total-income bracket	Number of taxpayers		Total income of taxpayers		Income tax payable		Average effective tax rate[1]
	Thousands	%	Millions of dollars	%	Millions of dollars	%	%
Under $20 000	2 746	54.3	26 037	21.0	658	4.9	2.5
From $20 000 to $50 000	1 787	35.3	57 449	46.2	6 250	46.7	10.9
From $50 000 to $100 000	460	9.1	29 313	23.6	4 417	33.0	15.1
$100 000 or over	65	1.3	11 456	9.2	2 064	15.4	18.0
All taxpayers	**5 057**	**100.0**	**124 255**	**100.0**	**13 389**	**100.0**	**10.8**

1. Income tax payable as a percentage of the total income of all taxpayers.

Sources: Ministère du Revenu and ministère des Finances.

□ Tax preferences: a reflection of the choices made by a society

The situation we have described reflects, to a large extent, certain choices made by Québec society in order to redistribute wealth. For example, if all individuals, rich and poor, were taxed without regard to their ability to pay, the tax rate that would have to apply to all taxpayers in order to generate the same revenues for the government would be 10.8%. In this situation,

- individuals with an income of $100 000 or over would pay $827 million (or $12 723 per taxpayer) less than under the current system;

- individuals earning under $20 000 would have to pay $2 154 million (or $784 per taxpayer) more than under the current system.

1.2.3 A tax system that is more progressive

In comparison to tax systems in other jurisdictions, the Québec personal income tax system has the following features:

- families[5] and low-income households without children[6] pay less income tax than in other jurisdictions;

- higher-income families and higher-income households without children pay more income tax than in other jurisdictions.

These features, which make the Québec personal income tax system the most progressive in North America, heighten the discrepancy between the tax burden borne by middle- and high-income Québec households and that borne by their counterparts in the rest of Canada and the United States. This discrepancy, and the higher degree of progressivity of the Québec tax system, are illustrated in this section.

□ Comparison with the rest of Canada

In Québec, certain taxpayers — principally couples with children whose income is $40 000 or less and persons living alone whose income is under $15 000 — pay less income tax than they would pay anywhere else in Canada. The other categories of taxpayers pay more (sometimes much more) than they would pay elsewhere in Canada.

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5 Families include couples with children and single-parent families.

6 Households without children include single persons, the elderly and couples without children.

— Income taxes paid in Québec and elsewhere in Canada

A low-income or middle-income family with two children pays less income tax in Québec than anywhere else in Canada. Even with an income of $50 000, a Québec family has a substantial advantage over a family with the same income in certain provinces, including New Brunswick, Saskatchewan and Newfoundland. However, this advantage quickly diminishes, and then disappears, as income rises. With an income of $75 000, a Québec family pays income tax of $3 090 more than in Ontario, $2 879 more than in Alberta, and $2 211 more than in British Columbia. With an income of $100 000, a Québec family with two children pays $3 813 more than in Ontario and $4 613 more than in Alberta.

TABLE 6
COMPARISON, BY PROVINCE, OF INCOME TAX [1]
PAID BY A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(In dollars)

Employment income	Federal and provincial income tax in Québec	Difference with Québec[2]								
		Newfound-land	Saskat-chewan	Manitoba	New Brunswick	Prince Edward Island	Nova Scotia	British Columbia	Ontario	Alberta[3]
10 000	—	—	—	—	—	—	—	—	—	—
15 000	—	—	—	—	—	104	—	—	—	—
20 000	—	672	—	—	84	579	—	—	—	363
25 000	—	1 223	1 101	131	813	1 054	589	—	—	905
40 000	5 483	1 841	1 741	938	1 380	1 354	1 252	842	339	861
50 000	11 054	1 164	969	397	469	430	276	-342	-1 037	-416
75 000	24 689	487	65	-530	-1 060	-779	-1 427	-2 211	-3 090	-2 879
100 000	37 605	686	-264	-1 209	-2 014	-1 337	-2 300	-2 430	-3 813	-4 613

Note: Includes the impact of changes announced in provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income tax, minus refundable tax credits, the child tax benefit and the family allowance.
2. A negative sign indicates that income tax in the province concerned is lower than in Québec.
3. Since Alberta does not have a sales tax, the QST credit is not taken into account in the comparison.

A province-by-province comparison of the income tax payable by a person living alone gives results that are similar to those obtained with regard to households with children. With an income of $15 000, a single person living in Québec pays less income tax than a single person living elsewhere in Canada.

On the other hand, middle- and high-income individuals who live alone pay more income tax in Québec than in the other provinces of Canada. A single person earning $25 000 pays more income tax in Québec than in the other provinces, except Newfoundland and Saskatchewan. A single person earning $75 000 pays over $5 000 more in income tax in Québec than in Ontario or Alberta. At an income level of $100 000, a single person living in Québec pays $7 001 more in income tax than a single person living in Alberta.

TABLE 7
COMPARISON, BY PROVINCE, OF INCOME TAX[1] PAID BY A PERSON LIVING ALONE
(In dollars)

Employment income	Federal and provincial income tax in Québec	Difference with Québec[2]								
		Newfound-land	Saskat-chewan	Manitoba	New Brunswick	Prince Edward Island	Nova Scotia	British Columbia	Ontario	Alberta[3]
10 000	69	307	262	67	310	308	67	218	67	67
15 000	1 086	605	692	171	536	530	206	360	55	34
20 000	2 699	382	361	46	202	192	102	-9	-352	-276
25 000	4 313	117	63	-190	-135	-149	-205	-429	-760	-715
40 000	11 667	-1 268	-1 534	-1 687	-1 821	-1 852	-1 975	-2 468	-3 021	-2 606
50 000	16 162	-1 368	-1 656	-1 881	-2 156	-2 199	-2 375	-3 075	-3 863	-3 307
75 000	28 647	-1 609	-2 195	-2 743	-3 320	-2 983	-3 713	-4 276	-5 317	-5 268
100 000	41 564	-1 410	-2 524	-3 422	-4 251	-3 541	-4 527	-4 398	-6 040	-7 001

Note: Includes the impact of changes announced in provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

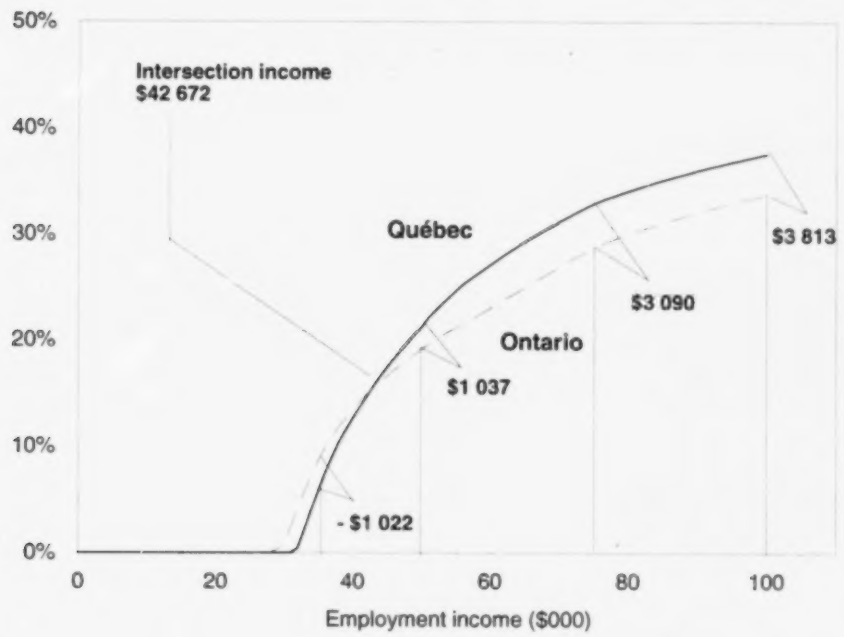
1. Federal and provincial income tax, minus refundable tax credits, the child tax benefit and the family allowance.
2. A negative sign indicates that income tax in the province concerned is lower than in Québec.
3. Since Alberta does not have a sales tax, the Québec sales tax (QST) credit is not taken into account in the comparison.

— Comparison of the average tax rates in Québec and in Ontario

The higher degree of progressivity of Québec's income tax system can also be illustrated by comparing the progression in average tax rates as income rises. Such a comparison shows that the Québec tax system is more progressive than the Ontario tax system.

For example, for a couple with two children, the average tax rate in Québec is lower than that of Ontario up to an income of $42 672 (average rate of about 16%). Above this threshold, the Québec tax rate increases and remains higher than the Ontario rate. The tax rate of a Québec household with an income of $100 000 is 38%, compared to 34% in Ontario; the Québec household pays $3 813 more in income tax.

GRAPH 7
AVERAGE TAX RATE [1] FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(Taxation year 1999)

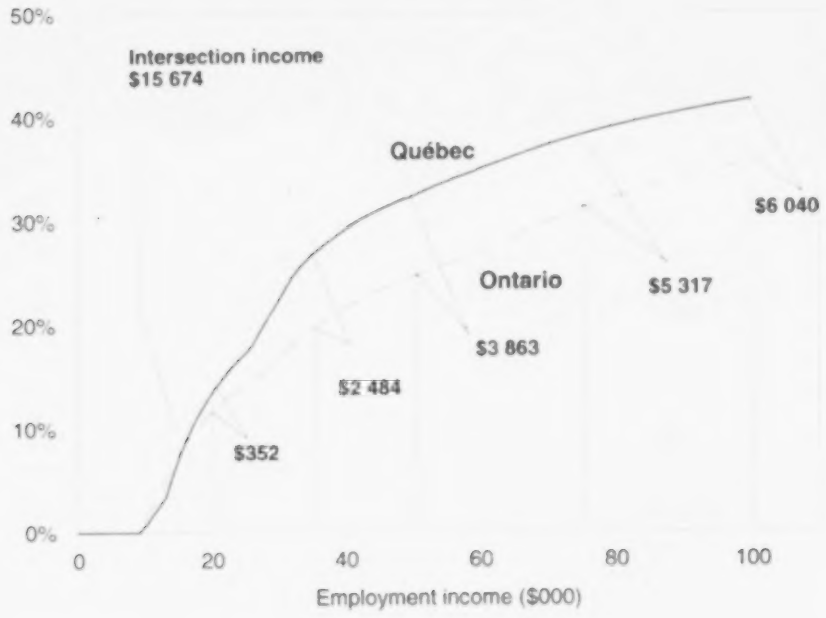


Note: Includes the impact of changes announced in provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income tax, minus refundable tax credits, the child tax benefit and the family allowance.

For a person living alone, the average tax rate is lower in Québec up to an income of $15 674 (the rate is approximately 8%). Above this income level, the tax rate increases rapidly. At an income level of $75 000, the tax rate of a person living alone is 38% in Québec, compared to 31% in Ontario; the difference in income tax is $5 317.

GRAPH 8
AVERAGE TAX RATE FOR A PERSON LIVING ALONE[1]
(Taxation year 1999)



Note: Includes the impact of changes announced in provincial budgets tabled before March 10, 1999, and the full-year impact, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, minus refundable tax credits.

□ Comparison with certain U.S. states

Similar observations can be made if the Québec personal income tax system is compared with that of certain U.S. states.

For a couple with two children under six and an income of $50 000, income taxes and contributions to social programs are between $2 636 and $5 304 less in Québec. However, as income increases, a Québec couple with two children pays more in income taxes and contributions to social programs than its American counterpart. For a couple with two children aged 17 and 18, and an income of $100 000, the difference varies between $8 550 and $13 870, or between 8.5 % and nearly 14% of income.

However, these differences are offset, in part, by the fact that American taxpayers must finance a larger portion of their health and education costs privately. In Québec, as elsewhere in Canada, these costs are in large part covered by public administrations.

TABLE 8
PERSONAL INCOME TAXES AND CONTRIBUTIONS TO SOCIAL PROGRAMS FOR COUPLES WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(In Canadian dollars)

	Income taxes and contributions to social programs						
		New York		Massachusetts		Pennsylvania	
Type of household	Québec	Level	Difference with Québec	Level	Difference with Québec	Level	Difference with Québec
Couple, two young children[1]							
— 50 000	2 341	4 977	2 636	5 514	3 173	7 645	5 304
— 75 000	13 888	8 214	-5 674	10 159	-3 729	12 930	-958
Couple, two children aged 17 and 18							
— 100 000	31 068	17 198	-13 870	19 202	-11 866	22 518	-8 550
— 250 000	104 922	65 213	-39 709	67 759	-37 163	76 448	-28 474

Note: The comparison is based on hypotheses comparable to those used in the document *Personal Taxation and the Cost of Living*, published in 1998 by the ministère des Finances.

For Québec, the data are based on the 1999 tax system, before the tabling of the 1999-2000 budget, but including the full-year impact of the changes announced to income tax and the GST credit in the 1999 federal budget. For the three U.S. states, the data are for the 1998 tax system.

1. For couples with children under six, the Québec income tax data take into account the fact that, as part of the new family policy, a portion of the child-care assistance provided by Québec is now paid in the form of a reduction in child-care fees rather than through the tax credit for child-care expenses.

For a single person with an income of $50 000, income taxes and contributions to social programs represent $16 588 in Québec, compared to $9 541 in New York, $10 094 in Massachusetts, and $11 805 in Pennsylvania; at this income level, the American taxpayer pays between $5 000 and $7 000 (or between 10% and 14% of income) less. At an income level of $100 000, the difference is even more substantial, amounting to between $12 000 and $17 000, or between 12% and 17% of income.

TABLE 9
PERSONAL INCOME TAXES AND CONTRIBUTIONS TO SOCIAL PROGRAMS FOR A PERSON LIVING ALONE
(In Canadian dollars)

	Income taxes and contributions to social programs						
		New York		Massachusetts		Pennsylvania	
Income level	Québec	Level	Difference with Québec	Level	Difference with Québec	Level	Difference with Québec
50 000	16 588	9 541	-7 047	10 094	-6 494	11 805	-4 783
75 000	27 841	14 179	-13 662	16 318	-11 523	18 580	-9 261
100 000	39 808	22 837	-16 971	25 589	-14 219	27 859	-11 949
250 000	116 437	71 091	-45 346	74 191	-42 246	81 058	-35 379

Note: The comparison is based on hypotheses comparable to those used in the document *Personal Taxation and the Cost of Living*, published in 1998 by the ministère des Finances.

For Québec, the data are based on the 1999 tax system, before the tabling of the 1999-2000 budget, but including the full-year impact of the changes announced to income tax and the GST credit in the 1999 federal budget. For the three U.S. states, the data are for the 1998 tax system.

□ Comparison of maximum marginal tax rates

Besides absorbing a substantial portion of the income of taxpayers as a group, the Québec personal income tax system is characterized by maximum marginal tax rates that are higher than those of its principal competitors.

This situation can be illustrated through a comparison of the maximum marginal tax rates in Québec and other jurisdictions. The maximum marginal tax rate is the tax rate applicable to each dollar earned, over and above the highest income level.

The maximum marginal tax rate in Québec, at the beginning of the year 2000, will be 51.7%, compared to an average of 49.4% in the rest of Canada and approximately 42.7% for the three U.S. states taken into consideration.

Furthermore, in spite of the reduction resulting from the tax reform of 1998, the maximum tax rate in Québec will be 2.9 percentage points higher than that of Ontario, whereas the maximum tax rates of Québec and Ontario were identical in 1996.

TABLE 10
COMPARISON OF THE MARGINAL TAX RATES APPLICABLE TO THE HIGHEST INCOMES
(As a percentage)

	1986	1996	1999	2000[2]
Québec[1]	59.5	52.9	52.1	51.7
Other Canadian provinces				
Alberta	52.7	46.1	45.2	44.7
New Brunswick	57.6	51.4	49.7	49.2
Ontario	55.4	52.9	49.2	48.8
Nova Scotia	57.1	50.3	49.2	48.8
Manitoba	59.9	50.4	49.4	49.0
Prince Edward Island	55.8	50.3	49.9	49.4
Saskatchewan	58.0	51.9	50.8	50.4
British Columbia	55.6	54.2	52.3	51.8
Newfoundland	58.3	53.3	52.9	52.5
Average for other provinces	56.7	51.2	49.8	49.4
Certain U.S. states				
Pennsylvania	51.1	41.3	41.3	41.3
New York	56.8	43.7	43.7	43.7
Massachusetts	50.0	43.2	43.2	43.2

1. Does not include the 0.3% contribution to the anti-poverty fund (Fonds de lutte contre la pauvreté par la réinsertion au travail).

2. Includes, for Québec and the other provinces, the impact of the 1999 federal budget and the provincial budgets tabled before March 10, 1999. For the United States, the data are for the 1998 tax system.

The maximum marginal tax rate in Québec becomes applicable at an income threshold equal to that of most Canadian provinces ($63 519). However, the threshold is lower than that of New Brunswick ($101 375), Nova Scotia ($80 385) and British Columbia ($79 467). In the United States, the maximum marginal tax rate, besides being substantially lower, becomes applicable only at an income of approximately CAN$425 000 (US$278 450).

For example, with an income at which the maximum marginal tax rate applies in Québec (for example, $100 000), a person living alone would pay income tax at a marginal rate of 35.7% in New York state. This is 16 percentage points lower than the rate that would apply, at the same income level, to a single person living in Québec.

TABLE 11
COMPARISON OF MARGINAL TAX RATES ON INCOME OF $100 000 AND OF MAXIMUM MARGINAL TAX RATES QUÉBEC, THE OTHER PROVINCES AND CERTAIN U.S. STATES[1]
(In Canadian dollars)

	Maximum marginal tax rate in 2000 on income of $100 000	Maximum marginal tax rate in 2000	
		Rate	Income at which the rate begins to apply
	%	%	$
Québec	51.7	51.7	63 519
Other Canadian provinces			
Alberta	44.7	44.7	63 519
New Brunswick	47.9	49.2	101 375
Ontario	48.8	48.8	63 519
Nova Scotia	48.8	48.8	80 385
Manitoba	49.0	49.0	63 519
Prince Edward Island	49.4	49.4	63 519
Saskatchewan	50.4	50.4	63 519
British Columbia	51.8	51.8	79 467
Newfoundland	52.5	52.5	63 519
Certain U.S. states			
Pennsylvania	33.0	41.3	425 000
New York	35.7	43.7	425 000
Massachusetts	35.1	43.2	425 000

1. Includes, for Québec and the other provinces, the impact of the 1999 federal budget and the provincial budgets tabled before March 10, 1999. For the United States, the data are for the 1998 tax system.

2 *The personal income tax system in Québec*

2. THE PERSONAL INCOME TAX SYSTEM IN QUÉBEC

This section provides a brief overview of the personal income tax system in Québec.

The table below shows, for the 1996 taxation year, the consolidated results, for all taxpayers, respecting income tax payable and the main elements used to calculate this amount.

TABLE 12
MAIN ELEMENTS OF THE INCOME TAX RETURN
1996
(In millions of dollars)

TAXABLE INCOME	
— Total income	124 255
— Deductions	–16 005
Taxable income	**108 250**
TOTAL INCOME TAX PAYABLE	
— Income tax on taxable income, including surtax	21 918
— Non-refundable tax credits and tax reductions	–8 529
Total income tax payable	**13 389**
— Refundable tax credits	–525
— Total income tax payable minus refundable tax credits	12 864

Sources: Ministère du Revenu and ministère des Finances.

The amount of income tax payable is calculated in four steps:

- First, taxable income is calculated ($108.3 billion).
- Then, income tax on taxable income is determined ($21.9 billion).
- Next, non-refundable tax credits and tax reductions are determined ($8.5 billion).
- Finally, income tax payable is calculated ($13.4 billion).

Certain refundable tax credits ($525 million) are also granted under the tax system.

□ Taxable income

Taxable income is calculated by subtracting certain deductions from the taxpayer's total income. These deductions include those granted with respect to expenses incurred to earn income[7] (for example, the deductions respecting moving expenses and expenses incurred to earn investment income). Other deductions may be claimed with respect to amounts on which income tax is deferred (for example, contributions to registered retirement savings plans).

□ Income tax on taxable income

Income tax on taxable income is determined by applying the rates in the tax table to taxable income.

Since 1998, income tax has been determined by means of a table that contains three tax rates (20%, 23% and 26%). The tax table is progressive, that is, the percentage of income tax payable increases for each taxable income bracket.

TABLE 13
TAX TABLE: TAX RATES APPLICABLE TO TAXABLE INCOME

Taxable income bracket	Marginal tax rates
0 — $25 000	20%
$25 000 — $50 000	23%
Over $50 000	26%

□ Non-refundable tax credits

Non-refundable tax credits are generally used so that income spent on, for example, the recognized essential needs of the taxpayer and his or her family (e.g., spouse and dependent children), expenses related to employment duties, and medical expenses, is not taxed. Non-refundable tax credits also include the dividend tax credit, the tax credit for contributions to authorized Québec provincial political parties, and the tax reduction for families.

[7] See Table 14 for more information.

Unlike deductions, non-refundable tax credits reduce income tax, not income. This means that they do not give entitlement to an income tax refund if their value exceeds the amount of income tax on taxable income.

Most non-refundable tax credits are calculated by multiplying allowable amounts by 23%. The result is then subtracted from income tax. However, a different rate is used in the case of other non-refundable tax credits, such as the tax credit for contributions to authorized Québec provincial political parties, the dividend tax credit and the tax reduction for families.

— Tax reduction for families

The tax reduction for families increases the income threshold at which income tax becomes payable. The maximum tax reduction is $1 500 for a couple with children, and $1 195 for a single-parent family. This amount is reduced by 6% of the family income that exceeds $26 000.[8]

□ Income tax payable

Taxpayers determine their income tax payable by subtracting, from the income tax calculated using the tax table, the amount of the non-refundable tax credits to which they are entitled.

□ Refundable tax credits

Refundable tax credits are also available under the tax system. Such credits are closer in nature to a transfer payment than to an income tax reduction. Tax credits are refundable in that they give entitlement to an income tax refund when their value exceeds the amount of income tax payable. They are generally granted according to each household's financial situation.

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[8] Formula applicable in the case of a couple: $1 500 – 6% x (family income – $26 000).

Examples of these credits are the QST credit, the real estate tax refund and the refundable tax credit for child-care expenses.

Specifically, the QST credit offsets the 7.5% Québec sales tax on goods and services paid by low-income households.

The maximum amount of the QST credit is $154 for each adult, to which $103 is added if the adult lives alone. This amount is reduced by 3% of the family income that exceeds $26 000.[9]

□ The simplified tax system and the general tax system

In 1998, the simplified tax system was introduced for the benefit of individuals who are entitled to a relatively small amount in deductions and non-refundable tax credits. Of the two tax systems now in existence (the general tax system and the new, simplified tax system), the taxpayer may choose the one that is the more advantageous, and file either the general income tax return, or the simplified income tax return, as applicable.

Under the simplified tax system, a flat amount ($2 350) replaces a group of deductions and non-refundable tax credits. This flat amount, converted at a rate of 23%, gives each taxpayer an income tax reduction of $541.

However, those taxpayers who would benefit by claiming certain credits and deductions may continue to use the general tax system.

Under the simplified tax system, the unused portion of the non-refundable tax credits to which a taxpayer is entitled, including the flat amount of $2 350, may be transferred to the taxpayer's spouse, provided both spouses have opted for the simplified tax system. Spouses also have the option of filing a joint income tax return (the simplified return is specially designed to allow for this possibility).

Almost 80% of individuals should find it to their advantage to file under the simplified tax system.

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[9] Formula applicable in the case of a couple: $308 – 3% x (family income – $26 000). The family income used to reduce the credit is the amount reported for the previous taxation year.

TABLE 14
TAX CREDITS AND DEDUCTIONS
COMPARISON OF THE GENERAL TAX SYSTEM AND THE SIMPLIFIED TAX SYSTEM
(1999, in dollars)

Tax credits and deductions	General tax system			Simplified tax system
	Maximum allowable amount	Conversion rate (%)	Tax value	
1. Essential amounts				
— Basic amount	5 900	23	1 357	
— Amount for a person living alone[1,2]	1 050	23	242	
— Amount respecting a spouse	5 900	23	1 357	
— Amount respecting dependent children				
- basic amount				
. 1st child	2 600	23	598	
. 2nd and subsequent children	2 400	23	552	
- amount for post-secondary studies (per term)[3]	1 650	23	380	
- amount for a single-parent family[4]	1 300	23	299	
— Amount respecting other dependants[5]				
- basic amount	2 400	23	552	
- amount granted with respect to an infirmity[6]	5 900	23	1 357	
2. Tax reduction for families				
— Couple with children	1 500	100	1 500	
— Single-parent family	1 195	100	1 195	
3. Tax credits and deductions relating to retirement				**Same amounts**
— Contributions to an RRSP or an RPP	---------- variable amount ----------			
— Amount for retirement income[2]	1 000	23	230	
— Amount with respect to age[2]	2 200	23	506	
4. Miscellaneous non-refundable tax credits				
— Charitable donations	---------- variable amount ----------			
— Tax credit with respect to a labour-sponsored fund	5 000	15	750	
— Tax credit for contributions to authorized Québec provincial political parties	400	---[7]	250	
— Amount respecting a severe and prolonged mental or physical impairment	2 200	23	506	
5. Refundable tax credits				
— Québec sales tax credit				
- amount per adult	154	100	154	
- additional amount for a person living alone	103	100	103	
— Real estate tax refund	1 285	40	514	
— Refundable tax credit for child-care expenses	---------- variable rate ----------			
- for each child under 7 years of age or with an impairment	7 000			
- for other children	4 000			
— Other refundable tax credits	---------- variable amount ----------			

TABLE 14 (CONTINUED)
TAX CREDITS AND DEDUCTIONS
COMPARISON OF THE GENERAL TAX SYSTEM AND THE SIMPLIFIED TAX SYSTEM
(1999, in dollars)

Tax credits and deductions	General tax system			Simplified tax system
	Maximum allowable amount	Conversion rate (%)	Tax value	
6. Other non-refundable tax credits				
— Employment insurance premiums	995	23	229	
— Contributions to the health services fund	1 000	23	230	
— Contributions to the Québec Pension Plan	1 187	23	273	
— Union or professional dues	---------- variable amount ----------			
— Amount for tuition or examination fees	---------- variable amount[8] ----------			
— Amount for interest paid on a student loan	---------- variable amount[8] ----------			
— Amount for a member of a religious order	3 960	23	911	
— Amount for medical expenses	---------- variable amount ----------			
— Dividend tax credit	---------- variable amount[9] ----------			**Flat amount of $2 350 per taxpayer, for a credit of $541**
7. Other deductions				
— Transfers to an RPP, an RRSP or an annuity	---------- variable amount ----------			
— Amount to be repaid with respect to benefits received under social programs	---------- variable amount ----------			
— Support payments made	---------- variable amount ----------			
— Moving expenses	---------- variable amount ----------			
— Expenses incurred to earn investment income	---------- variable amount ----------			
— Allowable losses	---------- variable amount ----------			
— Tax shelters	---------- variable amount ----------			
— Taxable capital gains exemption	---------- variable amount ----------			
— Deduction for residents of designated remote areas[10]				
- residence in a northern zone	5 475	26	1 424	
- residence in an intermediate zone	2 738	26	712	
— Tax adjustments	---------- variable amount ----------			
— Other deductions (judicial expenses, etc.)	---------- variable amount ----------			

1. Person living alone: person not living with another adult.
2. The total of the amounts with respect to age (65 years of age or older), for a person living alone or for retirement income is reduced by 15% of the family income that exceeds $26 000.
3. Limit of two terms, for a maximum of $3 300 or a credit of $759.
4. This amount is equal to 50% of the amount for the first child, and is added to that amount.
5. Persons at least 18 years of age who are related to the taxpayer by blood, marriage or adoption.
6. This amount cannot be added to the basic amount respecting other dependants.
7. The conversion rates are 75% of the first $200 of allowable contributions, and 50% of the amount that exceeds $200.
8. The maximum allowable amount varies depending on the expenses incurred, and can be carried from one taxation year to the next.
9. The tax value corresponds to 9.85% of the taxable dividend.
10. The maximum allowable amount of $15 per day in northern zones and $7.50 per day in intermediate zones was applied to a full year and multiplied by 26%, the maximum marginal tax rate.

3 *Reduction of personal income tax: objectives to consider*

3. REDUCTION OF PERSONAL INCOME TAX: OBJECTIVES TO CONSIDER

The first two sections of this document provided an overview of the current situation with regard to personal income tax. They showed that personal income taxes are higher in Québec than in the other provinces and the United States, and that the Québec income tax system is more progressive.

In view of the situation, the government has made a commitment to reducing the tax burden. However, in the discussions preceding the reduction of personal income tax, a number of objectives will have to be taken into consideration. The consultation that is to take place in the coming year will enable us to identify objectives and determine which ones should be retained.

In order to facilitate these choices, this section presents a series of objectives that could be taken into account in conjunction with the reduction of personal income tax. After a brief review of the principal effects on economic activity of unduly high income tax, as well as the government's commitment to reducing personal income tax, this section will deal with the following points:

- the objectives that generally constitute the basis of a tax system;
- the progress already made as a result of the personal income tax reform of 1998;
- certain areas that could be targeted.

3.1 The need to reduce personal income tax

High personal income taxes reduce economic growth and slow job creation. The fact that the income tax level in Québec is too high, in comparison with that of its principal trading partners, has a number of negative effects on households and businesses.

☐ Main effects on households

High personal income taxes affect the situation of households directly by

- reducing the disposable after-tax income and thereby reducing consumption;

- reducing the incentive to work, because high marginal tax rates influence workers in their choices with regard to

  - work versus leisure,

  - remunerated work versus work in the home,

  - the official job market versus unreported work;

- reducing savings, since high taxation rates mean lower returns[10] for taxpayers. Savings, which are necessary for investment, constitute an important factor in developing an economy's production capacity.

[10] The principal types of income earned by individuals who have savings, such as interest income, dividend income and capital gains, are generally included in their taxable income.

□ Main effects on businesses

Unduly high personal income tax weakens the competitive position of businesses, because it has the following effects:

- labour costs increase, since workers exert pressure to receive a higher nominal wage in order to maintain the same after-tax wages;

- the cost of financing active capital rises since, when tax rates are high, individuals demand a higher return, before taxes, on their business investments;

- both production and strategic workers tend to move to other jurisdictions.

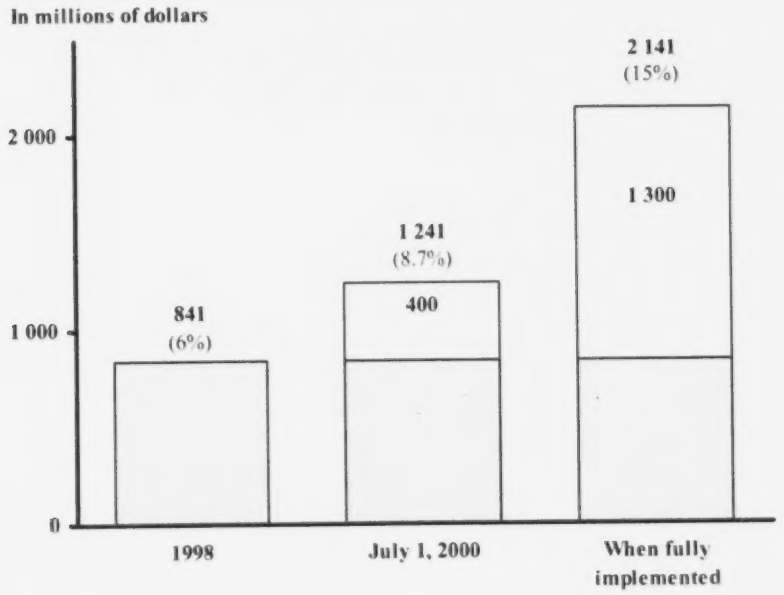
3.2 Commitment to reduce the tax burden by an additional $1.3 billion

It is important to reduce the level of Québec's personal income tax in relation to income tax in other jurisdictions that constitute Québec's principal trading partners, particularly Ontario.

To this end, the government has committed to reducing personal income tax by $1.3 billion by the end of its current mandate. This represents a 9% decrease in personal income tax. A portion of this tax reduction will take effect starting next year. As of July 1, 2000, Québec taxpayers will obtain an income tax reduction of $400 million; the terms of this first phase of the tax reduction will be specified in the 2000-2001 Budget Speech. This first phase will be followed by additional income tax reductions of $900 million, to be announced in the course of the government's current mandate.

Together, the $841 million income tax reduction in 1998 and the income tax reduction that will take effect on July 1, 2000, represent $1.2 billion in tax cuts. By the end of the government's current mandate, personal income tax will have been reduced by $2.1 billion, which corresponds to a total reduction of 15%.

GRAPH 9
REDUCTIONS IN QUÉBEC PERSONAL INCOME TAX



Note: The shaded area represents the income tax reduction announced as part of the 1998 personal income tax reform. The unshaded area represents the commitments announced in the 1999-2000 Budget.

3.3 The objectives of a tax system

The first objective of a tax system is to collect sufficient, stable income in order to finance public expenditures. However, in the elaboration of tax policy, several other objectives may also be taken into account.

These other objectives can be divided into two categories, namely, general objectives (the usual criteria taken into consideration in all tax systems) and other, specific objectives, which take into account certain societal choices and preferences.

☐ General objectives

The general objectives of a tax system are

- vertical equity, which means that a taxpayer with a greater ability to pay may be taxed more highly;

- horizontal equity, which means that the tax system must tax in an identical way taxpayers or families with the same characteristics;

- neutrality, which means that the tax system should tax in a neutral or identical way the activities of economic agents, in order to avoid, as much as possible, influencing their behaviours;

- simplicity, so that the tax system is easy to understand, comply with and administer.

☐ Specific objectives

In the past few decades, economic and social changes have influenced tax policy in Québec as in other jurisdictions. Moreover, the globalization of markets, the liberalization of trade, changing demographics, and the directions taken with regard to economic and social policy have had a significant effect on the tax system.

These changes have given rise to new objectives, such as ensuring that the tax system

- takes into account the particular situations of certain categories of taxpayers, such as
  - families,
  - the elderly,
  - persons who are studying or receiving training,
  - economically disadvantaged persons;
- is competitive, so that the economy maintains its competitiveness and economic agents have an incentive to stay, and produce, in the jurisdiction concerned.

□ A tax system that reflects a society's choices and preferences

In most industrialized countries, the objectives of a tax system are not based on specific rules, but are the combined result of a number of concerns.

It should be stressed that the pursuit of a specific objective often prevents the attainment of another objective. For example, a choice must be made between higher income tax for middle- and high-income earners, on the one hand, and competitiveness on the other. A progressive tax system redistributes wealth in a society; however, if the degree of progressivity is too high, this may have a negative impact on the competitiveness of the economy, on the incentive to work and on job creation.

The challenge consists in striking the right balance between these different objectives, that is, the balance that best reflects the choices and preferences of the society in question.

3.4 The progress already made

In the 1997-1998 Budget Speech, the government announced an important reform of personal income tax.

This reform has, since 1998, reduced the tax burden of individuals. At the same time, it has

- improved tax fairness, by enabling taxpayers who use tax expenditures to a limited degree to claim a flat amount of $2 350 under the new simplified tax system;

- accentuated the redistribution of income and increased the incentive to work by improving the refundable tax credits granted to low-income workers;

- simplified income tax, by

  - replacing the tax table and the surtax and tax reduction tables by a new tax table that has only three (rather than five) marginal tax rates, and

  - making income tax calculation easier for 80% of taxpayers, and offering spouses the possibility of filing a joint income tax return.

The tax reform targeted households with income of less than $50 000. Such households now enjoy an overall tax reduction of 15% ($588 million). For households earning over $50 000, the income tax reduction is about 3% ($253 million). In all, personal income tax has been reduced by $841 million.

When the impact of this reduction is added to the impact of the partial financing of the reform through a one-point increase in the sales tax rate, the result is a $499-million reduction in the tax burden of individuals.

TABLE 15
TOTAL IMPACT OF THE PERSONAL INCOME TAX REFORM ON THE TAX BURDEN
(1998, in millions of dollars)

	Impact on tax burden			
	Individuals	**Businesses**	**Public sector**	**Total**
Personal income tax reform	-841	—	—	**-841**
One-point rise in the sales tax	342	114	20	**476**
Total impact	**-499**	**114**	**20**	**-365**

3.5 Objectives that could be targeted

In order to pursue the reduction of the tax burden and further improve the fairness and competitiveness of the tax system, the income tax reduction could, for example, take into account the following objectives:

- maintaining an equitable tax system, in particular with regard to families and low-income workers;

- rendering the tax system more favourable to employment by

  - maintaining the incentive to work,

  - ensuring that the income tax gap between Québec and its competitors is not too wide, and

  - reducing income tax by more than $1.3 billion and ensuring that this additional reduction is financed by a tax that has less impact on competitiveness.

3.5.1 Maintaining an equitable tax system

One of the important features of a tax system is to allow for the redistribution of income between rich and poor. In Québec, both the tax system and the system of transfers[11] serve to redistribute income. Within the tax system, income is redistributed through a progressive income tax.

A reduction in income tax would not prevent the Québec tax system from maintaining a high degree of progressivity. The tax system could continue to fulfil its purpose effectively by

- not taxing the minimum living wage, in particular when there are children;

- levying an amount that increases with individuals' ability to pay.

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[11] Transfers to individuals and families include amounts paid directly by the government in the form of allowances and benefits. The principal transfer programs are last-resort assistance, the PWA (parental wage assistance) program, and the new Québec family allowance. The purpose of these programs is to guarantee a basic minimum income, to protect work income and to provide financial assistance for participation in the labour market. The assistance provided by these programs is reduced as family income increases.

3.5.2 Rendering the tax system more favourable to employment

An income tax reduction, in order to promote employment, could target the objective of fostering the incentive to work, narrowing the income tax gap between Québec and other jurisdictions, or reducing even further the level of production taxes.

□ Maintaining the incentive to work

Taxpayers who can keep a larger portion of their work income have more incentive to work or produce. An income tax reduction could therefore foster the incentive to work by reducing the progressivity of marginal tax rates, thereby preventing governments from absorbing too great a share of income increases through income taxes.

A reduction in the marginal rates would have the following effects:

- it would encourage workers to increase their work earnings;
- it would encourage low-income workers to enter or stay in the labour market;
- it would help curb the brain drain phenomenon.

- **Reducing the sharpest discrepancies between income taxes in Québec and other jurisdictions**

A personal income tax reduction could focus on lightening the tax burden borne by those taxpayers who pay a higher level of income tax than their counterparts in other jurisdictions.

This would promote competitiveness by keeping in Québec the specialized workers who are needed for business development, and by encouraging those who are trained in Québec each year to stay here.

In this regard, a comparison of income tax paid in Québec and in neighbouring jurisdictions does not in itself demonstrate that every household that pays more income tax in Québec is in a less advantageous position than if it were located in a jurisdiction with lower income taxes.

The situation of the Québec households that are most affected by the higher income tax rates in Québec can be illustrated by considering, in addition to income tax and other taxes, the following factors:

- differences in the cost of goods and services,[12]

- differences in wages.[13]

Table 16 illustrates the impact that a move to Toronto could have on the purchasing power of six households in the Montréal area. When all of the factors affecting standard of living are taken into account, it becomes apparent that only middle- and high-income individuals who live alone, and high-income households, could improve their financial situation by accepting comparable employment in Toronto.

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[12] The data concerning the differences attributed to the cost of goods and services are from the study *Personal Taxation and the Cost of Living*, published in 1998 by the ministère des Finances.

[13] The data concerning the differences in remuneration between Montréal and Toronto, for the same occupations, are based on a sample taken from the 1996 census of the Canadian population. The data are published by Statistics Canada in *The Nation Series*. This source provides data on the average remuneration of residents of the Montréal and Toronto areas who had full-time employment throughout the year. Data are provided for 712 professions.

The example of a single person living in Montréal and earning $100 000 is of particular interest, since such persons are relatively mobile and often have specialized jobs.

The comparison shows that such a person could increase his or her purchasing power by almost $7 159 by accepting comparable employment in Toronto. This is because the rise in wages would be more than sufficient to offset the difference in cost of living. The salary, before taxes, that such a person could earn would be $25 000 more in Toronto than in Montréal. However, the increase would be reduced by $17 841 because of the fact that

- the person would have to pay $7 940 more in income tax and other taxes, mainly because of the additional income tax payable on the salary increase;

- the goods and services the person consumes in Montréal would cost $9 901 more in Toronto.

For a single person earning $50 000, a move to Toronto would also increase purchasing power, since the person's disposable income would be $1 829 more. In the case of a family with an income of $100 000, a move from Montréal to Toronto would mean an extra $1 000 in disposable income.

However, in spite of the high wages in Toronto, it is to the advantage of the other categories of households to stay in Montréal:

- for a Montréal couple with one child under six and an income of $30 000, a move to Toronto would mean a $4 208 reduction in purchasing power;

- for a Montréal couple with two children and an income of $50 000, a move to Toronto would mean a $5 788 reduction in purchasing power;

- for a single person earning $15 000 in Montréal, there would be no financial advantage in moving to Toronto.

Differences are also observable when the situation of Québec households is compared with that of households in certain U.S. states (see Appendix 9).

TABLE 16

COMPARISON OF THE PURCHASING POWER OF MONTRÉAL AND TORONTO HOUSEHOLDS WITH IDENTICAL CHARACTERISTICS AND COMPARABLE EMPLOYMENT

(In dollars)

	Purchasing power in Montréal			Variation in purchasing power following a move to Toronto			
Type of household	Wages	Income tax and other taxes[1]	Wages after income tax and other taxes	Wages[2]	Income tax and other taxes[1]	Cost of living[3]	Variation in purchasing power
Low-income households							
Couple with one child under 6[4]	30 000	-3 236	26 764	4 500	-3 381	-5 327	-4 208
Person living alone	15 000	-2 766	12 234	2 250	-531	-4 852	-3 133
Middle-income households							
Couple with two children under 6[4]	50 000	-7 684	42 316	7 500	-6 900	-6 388	-5 788
Person living alone	50 000	-21 136	28 864	7 500	246	-5 917	1 829
High-income households							
Couple with two children 17 and 18 years of age	100 000	-38 390	61 610	15 000	-1 508	-12 305	1 187
Person living alone	100 000	-46 237	53 763	25 000	-7 940	-9 901	7 159

1. Tax system in effect in 1999, not including the impact of the 1999-2000 budgets of Québec and Ontario. Includes the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

2. Wages adjusted to take into account the fact that remuneration for comparable employment is higher in Toronto than in Montréal.

3. Corresponds to the difference, in 1997, in the cost of an identical group of goods and services in Montreal and Toronto. Based on the study *Personal Taxation and the Cost of Living*, published in 1998.

4. For couples with children under six, the Québec income tax data take into account the fact that, as part of the new family policy, a portion of the child-care assistance provided by Québec is now paid in the form of a reduction in child-care fees rather than through the tax credit for child-care expenses.

Sources: Statistics Canada and ministère des Finances.

□ Reducing personal income tax more substantially

So that the tax system promotes employment to a greater degree, it is also important to ensure that production is not taxed too heavily. Production taxes, in particular personal income tax, are more harmful than others because they decrease the incentive to work or produce.

Some people might therefore consider it advisable to reduce income tax more than had been planned, and to offset the revenue shortfall that could result by a tax that would have less impact on production costs.

The following table shows the relative importance, in Québec and in Ontario, of the various tax sources. In Québec, personal income tax accounts for 43.4% of tax revenues, whereas in Ontario it accounts for only 32.1%. On the other hand, Ontario obtains a larger portion of its revenues from consumption taxes, namely, 35.7%, as compared to 27.1% for Québec.

TABLE 17
RELATIVE IMPORTANCE OF THE PRINCIPAL OWN-SOURCE REVENUES — 1999
(As a percentage)

	Québec	Ontario[1]
Personal income tax	43.4	32.1
Corporate taxes	19.5	19.8
Consumption taxes	27.1	35.7
Income from tariffs and various sources	10.0	12.4
Total	**100.0**	**100.0**

1. For the purposes of this comparison, the relative importance of Ontario's own-source revenues is determined by applying the Ontario tax structure to Québec tax bases.

Note: Does not include the impact of the 1999-2000 Québec, Ontario and federal budgets.

The example of an export business employing highly specialized and thus very mobile workers can be used to compare the effect that personal income tax and consumption taxes have on competitiveness.

For instance, if the sales tax were raised, the selling price of goods for export would not change, since Québec does not levy sales tax on exported goods. On the other hand, if personal income tax were increased, the export business would normally have to agree to raise wages in order to keep its workers, particularly those with high mobility. If the business did this, it could increase the selling price of its goods in order to maintain profit level, but such an increase would render the business less competitive in foreign markets.

COMPARISON OF THE EFFECT, ON PRODUCTION COSTS, OF PERSONAL INCOME TAX AND SALES TAX

It is generally accepted that personal income tax is more harmful to competitiveness than a consumption tax.

This example compares the effect, on a product's price in the domestic market and its export price, of a $1 personal income tax increase and a $1 sales tax increase.

As shown in the table below, in the case of a $1 increase in sales tax, the selling price of the product (before taxes) remains $100, as does the export price. However, the price on consumption (price after sales taxes) of a product intended for the domestic market rises from $115 to $116 after a sales tax increase. Moreover, since the sales tax affects most goods and services in the same way, the relative prices are not changed. The competitiveness of businesses located in Québec has therefore not been affected.

However, if the government decided to raise personal income tax instead, a business employing highly specialized (and thus very mobile) workers would raise wages by an amount equivalent to the income tax increase, in order to keep the workers in its employ. In the domestic market, the effect of an income tax increase would be the same as the effect of a sales tax increase. However, this specialized business would be less competitive in foreign markets since its production costs would be higher. Consequently, the increase in wages (which was intended to offset the increase in personal income tax) would be fully reflected in export prices, which would rise from $100 to $101.

EXAMPLE OF THE EFFECT OF A QUÉBEC SALES TAX (QST) INCREASE AND A PERSONAL INCOME TAX INCREASE
For an export business with highly specialized workers
(In dollars)

	Price in the domestic market			Export price		
	Before increase	After QST increase	After income tax increase	Before increase	After QST increase	After income tax increase
Cost of purchases	20.0	20.0	20.0	20.0	20.0	20.0
Gross margin	30.0	30.0	30.0	30.0	30.0	30.0
Wages	50.0	50.0	51.0[1]	50.0	50.0	51.0[1]
Price before taxes	100.0	100.0	101.0	100.0	100.0	101.0
Sales taxes	15.0	16.0	16.0	—	—	—
Price after taxes	115.0	116.0	116.0	100.0	100.0	101.0

1. Wage increase in order to maintain the after-tax income of highly mobile workers. For purposes of comparison with the effect of a $1 sales tax increase, the personal income tax increase in the illustration is set at $1, that is, an amount equivalent to the increase in consumption price resulting from the sales tax increase.

4 *Presentation of five proposals for the reduction of personal income tax*

4. PRESENTATION OF FIVE PROPOSALS FOR THE REDUCTION OF PERSONAL INCOME TAX

This section presents five proposals for the reduction of personal income tax. Each has different impacts on the competitiveness of the economy, the distribution of wealth and the assistance granted to certain categories of taxpayers. The forthcoming discussions to which the public will be invited could result in the adoption of one of the five proposals presented here, or give rise to a new one.

In this section, the general approach used in developing the proposals, and their impact on the tax burden, are discussed first. The main characteristics of each proposal are then described. Finally, the combined impact of the 1998 tax reform and each of the five proposals is presented in order to illustrate the total impact of the tax reductions on taxpayers.

4.1 The proposals presented

The proposals submitted for discussion reflect, in varying degrees, the objectives presented in section 3, and have the following basic criteria in common:

- Each would make it possible to retain a relatively high degree of progressivity in the tax system, and the assistance currently available to families and to low-income households would be maintained or improved.

- Each would improve the competitiveness of the tax system, particularly by reducing the income tax of middle- and high-income households.

- None would result in an increase in the tax burden of households.

- None would require changes to the basic structure or operation of the personal income tax system.

However, the proposals are different with respect to

- their impact on the various categories of taxpayers (low-income households, middle-income households or high-income households; families or households without children), and

- the scope of the personal income tax reduction, as two of the five proposals provide for a tax reduction of over $1.3 billion that would need to be partially financed by means of another form of taxation.

□ Changes to the tax system

In general, the proposed changes to the personal income tax system would affect

- the tax table;

- the non-refundable tax credits, including

  - certain amounts that give entitlement to the credits and

  - the rate used to convert amounts to non-refundable tax credits;

- the tax reduction for families;

- the flat amount available under the simplified tax system.[14]

[14] To ensure that the simplified tax system remains advantageous for a large number of taxpayers, all of the proposals provide for an increase of $100 (from $2 350 to $2 450) in the flat amount available under the simplified system.

TABLE 18
COMPARISON OF THE PROPOSALS AND THE CURRENT TAX SYSTEM

	Current system	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Tax table						
Taxable income brackets and tax rates						
0 to $25 000	**20%**	19%	19%	18%	20%	20%
$25 000 to $30 000	**23%**					
$30 000 to $32 000			22%			
$32 000 to $38 000				22%		
$38 000 to $50 000		22%				
$50 000 to $60 000	**26%**	26%				
$60 000 to $100 000					25%	
$100 000 or over			25%	24%		
Flat amount under the simplified tax system	**$2 350**	$2 450	$2 450	$2 450	$2 450	$2 450
Non-refundable tax credits						
Rate used to convert amounts to non-refundable tax credits	**23%**	22%	22%	21%	23%	23%
— Basic amount	**$5 900**	$5 900	$5 900	$5 900	$6 120	$6 120
— Amount respecting a spouse	**$5 900**	$5 900	$5 900	$5 900	$6 120	$6 120
— Amount for a person living alone	**$1 050**	$1 050	$1 050	$1 050	$1 120	$1 120
— Amount respecting dependent children engaged in post-secondary studies (per term)	**$1 650**	$1 650	$1 650	$1 650	$1 760	$1 760
— Amount respecting other dependants with an infirmity	**$5 900**	$5 900	$5 900	$5 900	$6 120	$6 120
Rate used to reduce the tax reduction for families	**6%**	3.4%	4.2%	4.2%	6%	6%

□ Impact on the tax burden

All of the proposals provide for a reduction in the tax burden of $1.3 billion.

Proposals 3 and 5 provide for the possibility of an income tax reduction of $1.9 billion and $1.7 billion, respectively. The reduction would require partial financing of $600 million in the case of Proposal 3, and $377 million in the case of Proposal 5.

The financing in question could be obtained through an increase in the Québec sales tax (QST) rate. If this were to occur, the QST credit would be raised accordingly, so that no low-income household would have a greater tax burden as a result of the QST increase.

TABLE 19
IMPACT ON THE TAX BURDEN
(In millions of 1999 dollars)

	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
PERSONAL INCOME TAX					
— Changes to the tax table	-1 123	-1 188	-1 756	-1 060	-1 460
— Increase in the flat amount to $2 450	-60	-60	-60	-60	-60
— Increase in the amounts giving entitlement to non-refundable tax credits[1]	—	—	—	-190	-190
— Increase in the tax reduction for families	-150	-90	-90	—	—
Subtotal	**-1 333**	**-1 338**	**-1 906**	**-1 310**	**-1 710**
PARTIAL FINANCING MEASURES	—	—	**600**	—	**377**
IMPACT ON THE TAX BURDEN	**-1 333**	**-1 338**	**-1 306**	**-1 310**	**-1 333**

1. Credits pertaining to essential needs: the basic amount, the amount respecting a spouse, the amount for a person living alone, the amount respecting dependent children engaged in post-secondary studies, and the amount respecting other dependants with an infirmity.

4.2 The principal characteristics of the five proposals

This section presents each of the five proposals in more detail, and highlights the distinguishing characteristics of each, specifically with respect to a couple with two children and one employment income, and with respect to a person living alone. The tables in the appendices illustrate each proposal's impact on the other categories of taxpayers (families with two employment incomes, couples without children, single-parent families, and persons aged 65 or older).

4.2.1 Proposal 1: Low-income households and middle-class families

The aim of Proposal 1 is to reduce the income tax of low-income households and middle-class families.

□ **Proposed changes**

Under Proposal 1, a tax table with three marginal tax rates would be retained:

- The first rate would be reduced from 20% to 19% and would apply to taxable income of up to $38 000.

- Taxable income of between $38 000 and $50 000 would be taxed at the rate of 22%.

- The marginal tax rate of 26% would be maintained and would continue to apply to taxable income of $50 000 or more.

The reduction in the tax rates would be accompanied by a corresponding decrease from 23% to 22% in the rate used to convert amounts to non-refundable tax credits.[15]

Moreover, Proposal 1 would include, for middle-class households with children, a $150-million increase in the tax reduction for families. Thus, couples with children could claim a tax reduction with respect to family income of up to $70 118, compared to $51 000 under the current system.

[15] The reduction in the rate used to convert amounts to non-refundable tax credits is made possible by the decrease from 20% to 19% in the first rate in the tax table.

TABLE 20
COMPARISON OF PROPOSAL 1 AND THE CURRENT TAX SYSTEM, AND IMPACT ON THE TAX BURDEN

Changes to the tax system	Current system	Proposal 1
Tax table rates by taxable income bracket		
• 0 to $25 000	20%	19%
• $25 000 to $38 000	23%	|
• $38 000 to $50 000	|	22%
• Over $50 000	26%	26%
Flat amount under the simplified tax system	$2 350	$2 450
Rate used to convert amounts to non-refundable tax credits	23%	22%
Rate used to reduce the tax reduction for families	6%	3.4%
Impact on the tax burden (millions of dollars)		–1 333

□ Impact on certain typical households

Table 21 presents, for certain typical households, the impact of Proposal 1 on income tax payable, marginal tax rates and average tax rates, and the difference between the amounts of income tax payable in Québec and Ontario. It shows that this proposal

– has a relatively greater impact on low-income taxpayers and families:

  - for a family with two children and an income of $35 000, the tax reduction would be $713 (51.1%);

  - for a family with an income of $50 000, the tax reduction would be $1 343 (23.4%);

- would increase the degree of progressivity in the tax system, as the reduction for taxpayers with the highest incomes would be somewhat less:
  - the tax reduction would be $719 (3.8%) for a couple with children and an income of $100 000, and $830 (9.4%) for a person living alone and earning $50 000.

TABLE 21
IMPACT OF PROPOSAL 1 ON CERTAIN TYPICAL HOUSEHOLDS

Employment income	Québec income tax			Marginal tax rate[1]		Average tax rate[1]		Québec-Ontario difference[2]	
	Current	Tax reduction		Current	Proposal	Current	Proposal	Current	Proposal
$	$	$	%	%	%	%	%	$	$
Couple, two children, one employment income									
15 000[3]	—	—	—	13.3	13.3	1.0	1.0	—	—
25 000[3]	—	—	—	13.3	13.3	5.9	5.9	—	—
35 000	1 395	713	51.1	49.9	43.3	13.2	11.1	-1 022	-1 735
50 000	5 745	1 343	23.4	53.7	51.1	24.4	21.7	1 037	-306
75 000	12 305	719	5.8	51.7	51.7	32.9	32.0	3 090	2 371
100 000	18 805	719	3.8	51.7	51.7	37.6	36.9	3 813	3 094
Person living alone (under 65 years of age)									
15 000	861	79	9.2	33.3	32.3	12.4	11.9	-55	-134
25 000	2 861	179	6.3	36.3	32.3	20.8	20.1	760	581
35 000	5 403	590	10.9	43.9	39.9	27.1	25.4	2 484	1 894
50 000	8 853	830	9.4	47.7	47.7	32.3	30.7	3 863	3 033
75 000	15 353	830	5.4	51.7	51.7	38.2	37.1	5 317	4 487
100 000	21 853	830	3.8	51.7	51.7	41.6	40.7	6 040	5 211

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, excluding the contribution to the anti-poverty fund (Fonds de lutte contre la pauvreté par la réinsertion au travail).

2. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

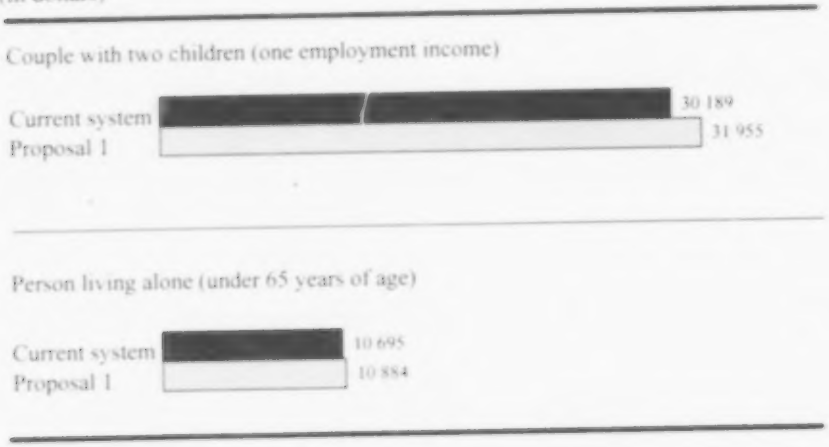
3. In Québec, couples with two children and one employment income do not pay tax on income below $30 189. The marginal tax rates and average tax rates correspond to those of the federal tax system.

□ Impact on tax thresholds

Under Proposal 1, the tax threshold of a couple with two children would increase 5.8% or $1 766 (from $30 189 to $31 955).

The increase in the tax thresholds would remove 54 300 more taxpayers (including 32 400 with children) from the Québec tax rolls.

GRAPH 10
IMPACT OF PROPOSAL 1 ON TAX THRESHOLDS
(In dollars)



□ Impact on the average tax rates

Graph 11 shows the impact of Proposal 1 on the average tax rates for a couple with two children and for a person living alone. Compared to their Ontario counterparts, the couple would pay less tax in Québec on income of up to $51 562 ($42 672 under the current system), and a person living alone would pay less tax on income of up to $16 903 ($15 674 under the current system). At higher levels of income, however, the gap would remain significant:

- $2 371 for a couple earning $75 000;
- $4 487 for a single person earning $75 000.

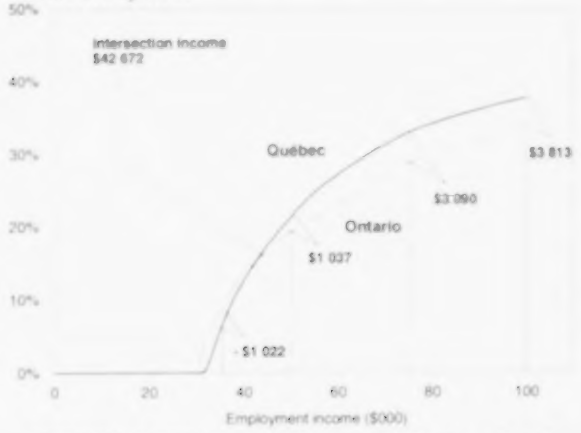
GRAPH 11

IMPACT OF PROPOSAL 1 ON THE AVERAGE TAX RATES[1]

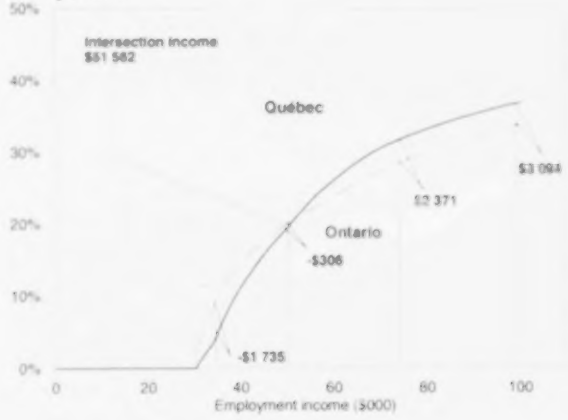
Comparison Québec-Ontario

COUPLE, TWO CHILDREN, ONE EMPLOYMENT INCOME

Current system

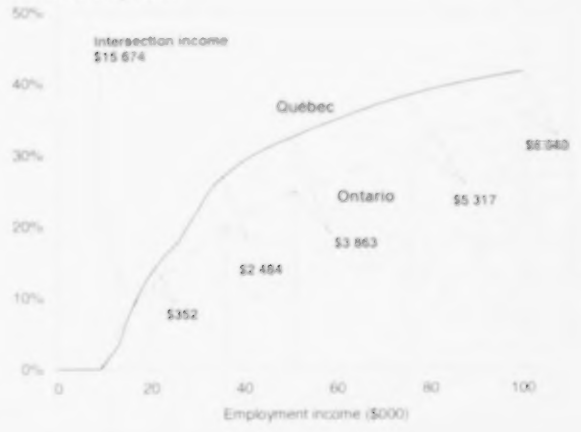


Proposal 1

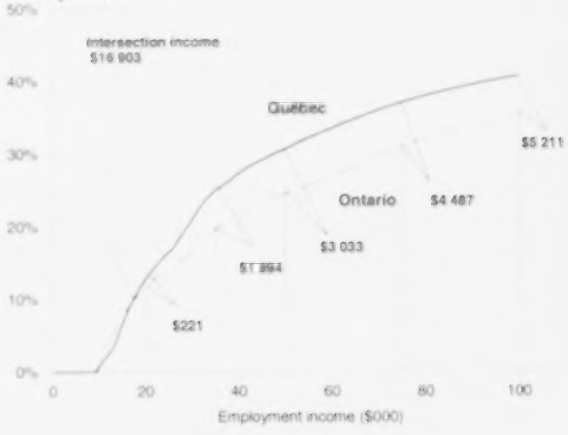


PERSON LIVING ALONE (under 65 years of age)

Current system



Proposal 1



Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

4.2.2 Proposal 2: Middle- and high-income households and families

The focus of Proposal 2 is the reduction of the income tax of middle- and high-income households and families. Compared to the reduction provided for under Proposal 1, the reduction under Proposal 2 would be less for low-income families, and greater for families at higher income levels.

□ **Proposed changes**

As in the case of Proposal 1, a tax table with three marginal tax rates would be retained under Proposal 2:

- The first rate in the tax table would be lowered from 20% to 19%, and would apply to the first $30 000 of taxable income.

- The second rate would be 22%, and would apply to taxable income of between $30 000 and $100 000.

- The highest tax rate would be 25% (that is, one point less than under the current tax system), and would apply to income of more than $100 000 (rather than to income of over $50 000, as is currently the case).

Proposal 2 would include, for middle-class families, a $90-million increase in the tax reduction for families. Thus, couples with children could claim the tax reduction for families with respect to an income of up to $61 714 (as compared to the current $51 000).

Finally, as in Proposal 1, the one-point reduction in the first tax rate would be accompanied by an equivalent reduction (from 23% to 22%) in the rate used to convert amounts to non-refundable tax credits.

TABLE 22
COMPARISON OF PROPOSAL 2 AND THE CURRENT TAX SYSTEM, AND IMPACT ON THE TAX BURDEN

Changes to the tax system	Current system	Proposal 2
Tax table rates by taxable income bracket		
• 0 to $25 000	20%	19%
• $25 000 to $30 000	23%	|
• $30 000 to $50 000	|	22%
• $50 000 to $100 000	26%	|
• Over $100 000	|	25%
Flat amount under the simplified tax system	$2 350	$2 450
Rate used to convert amounts to non-refundable tax credits	23%	22%
Rate used to reduce the tax reduction for families	6%	4.2%
Impact on the tax burden (millions of dollars)		–1 338

□ Impact on certain typical households

Table 23 shows that this proposal

– has a relatively greater impact on families:

  - for a couple with two children, the tax reduction would be $491 (35.2%) with respect to an income of $35 000, $911 (15.9%) with respect to an income of $50 000, and $1 479 (12.0%) with respect to an income of $75 000;

– has a somewhat smaller impact on a low- or middle-income person living alone:

  - the tax reduction would be $179 (6.3%) with respect to an income of $25 000, and $590 (6.7%) with respect to an income of $50 000;

– reduces by approximately 40% the gap between the amount of income tax payable in Québec and that payable in Ontario by a person living alone at higher income levels:

  - a person living alone and earning $100 000 would pay $3 451 ($6 040 under the current system) more in Québec than in Ontario.

TABLE 23

IMPACT OF PROPOSAL 2 ON CERTAIN TYPICAL HOUSEHOLDS

Employment income	Québec income tax			Marginal tax rate[1]		Average tax rate[1]		Québec-Ontario difference[2]	
	Current	Tax reduction		Current	Proposal	Current	Proposal	Current	Proposal
$	$	$	%	%	%	%	%	$	$
Couple, two children, one employment income									
15 000[3]	—	—	—	13.3	13.3	1.0	1.0	—	—
25 000[3]	—	—	—	13.3	13.3	5.9	5.9	—	—
35 000	1 395	491	35.2	49.9	47.1	13.2	11.8	-1 022	-1 513
50 000	5 745	911	15.9	53.7	47.9	24.4	22.6	1 037	126
75 000	12 305	1 479	12.0	51.7	47.7	32.9	30.9	3 090	1 611
100 000	18 805	2 479	13.2	51.7	50.7	37.6	35.1	3 813	1 334
Person living alone (under 65 years of age)									
15 000	861	79	9.2	33.3	32.3	12.4	11.9	-55	-134
25 000	2 861	179	6.3	36.3	32.3	20.8	20.1	760	581
35 000	5 403	440	8.1	43.9	42.9	27.1	25.8	2 484	2 044
50 000	8 853	590	6.7	47.7	43.7	32.3	31.1	3 863	3 273
75 000	15 353	1 590	10.4	51.7	47.7	38.2	36.1	5 317	3 727
100 000	21 853	2 590	11.9	51.7	50.7	41.6	39.0	6 040	3 451

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, excluding the contribution to the anti-poverty fund (Fonds de lutte contre la pauvrete par la reinsertion au travail).

2. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

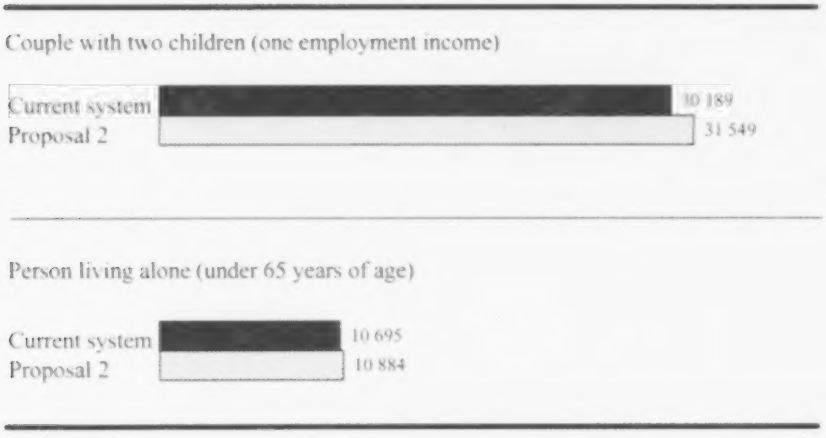
3. In Québec, couples with two children and one employment income do not pay tax on income below $30 189. The marginal tax rates and average tax rates correspond to those of the federal tax system.

□ Impact on tax thresholds

Under Proposal 2, the tax threshold of a couple with two children would increase 4.5% or $1 360 (from $30 189 to $31 549).

The increase in the tax thresholds would remove 47 300 more taxpayers (including 25 700 with children) from the Québec tax rolls.

GRAPH 12
IMPACT OF PROPOSAL 2 ON TAX THRESHOLDS
(In dollars)



□ Impact on the average tax rates

Graph 13 shows the impact of Proposal 2 on the average tax rates for a couple with two children and for a person living alone.

Under Proposal 2, the couple with two children would pay less tax in Québec than in Ontario on income of up to $48 894 ($42 672 under the current system). A person living alone would pay less tax on income of up to $16 902 ($15 674 under the current system). At higher income levels, income tax payable in Québec would remain higher than that payable by our neighbours by

- $1 611 for a couple with two children and an income of $75 000;
- $3 727 for a person living alone and earning $75 000.

GRAPH 13

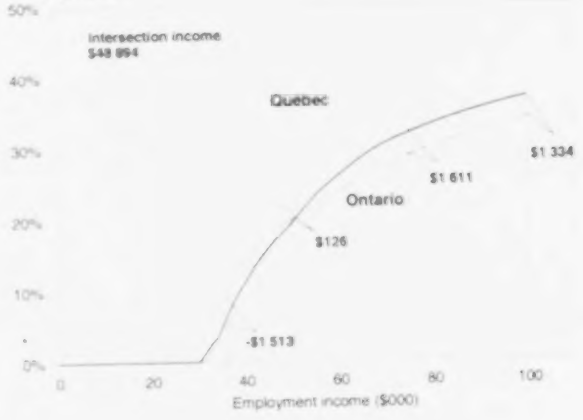
IMPACT OF PROPOSAL 2 ON THE AVERAGE TAX RATES[1]

Comparison Québec-Ontario

COUPLE, TWO CHILDREN, ONE EMPLOYMENT INCOME

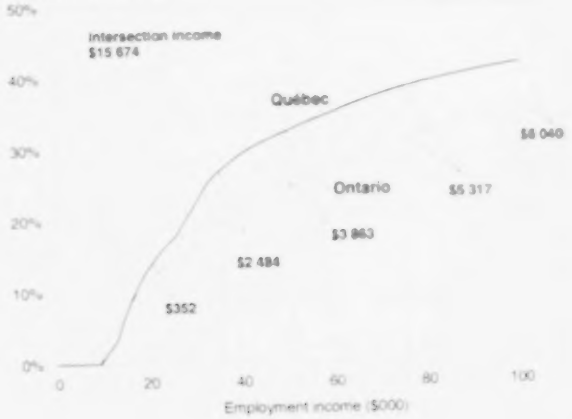
Current system

Proposal 2

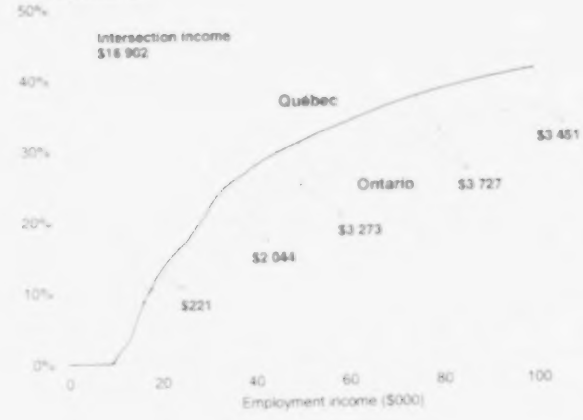


PERSON LIVING ALONE (under 65 years of age)

Current system



Proposal 2



Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

4.2.3 Proposal 3: A larger, more proportional reduction

Proposal 3 provides for a greater tax reduction that is virtually proportional for all taxpayers, to which more additional support for families is added.

Under this proposal, personal income tax would be reduced by $1.9 billion. However, the reduction would require partial financing of $600 million. To offset the resulting shortfall, the Québec sales tax (QST) rate could, for example, be increased.

□ **Proposed changes**

Under this proposal, the tax table would be modified as follows:

- The first rate in the tax table would be reduced from 20% to 18%, and would apply to taxable income of up to $32 000.

- The second rate would be reduced from 23% to 22% and would apply to taxable income of between $32 000 and $100 000.

- The highest rate would be reduced from 26% to 24%, and would apply to taxable income of $100 000 or more (rather than $50 000 or more).

Moreover, as under Proposal 2, a $90-million increase in the tax reduction for families would be available for middle-class families.

Finally, the rate used to convert amounts to non-refundable tax credits would, like the first rate in the tax table, be reduced from 23% to 21%.

TABLE 24
COMPARISON OF PROPOSAL 3 AND THE CURRENT TAX SYSTEM, AND IMPACT ON THE TAX BURDEN

Changes to the tax system	Current system	Proposal 3
Tax table rates by taxable income bracket		
• 0 to $25 000	20%	18%
• $25 000 to $32 000	23%	22%
• $32 000 to $50 000	26%	24%
• $50 000 to $100 000		
• Over $100 000		
Flat amount under the simplified tax system	$2 350	$2 450
Rate used to convert amounts to non-refundable tax credits	23%	21%
Rate used to reduce the tax reduction for families	6%	4.2%
Impact on the tax burden (millions of dollars)		
• Personal income tax		–1 906
• Financing measures		600
Total impact		–1 306

□ Impact on certain typical households

Table 25 shows that this proposal

- would have a somewhat greater impact on households claiming the increased tax reduction for families:
  - for a couple with two children and an income of $35 000, the tax reduction would be $654 (46.9%);
  - for the same family earning $50 000, the tax reduction would be $1 074 (18.7%);
- would provide a virtually proportional tax reduction for other taxpayers:
  - for a person living alone and earning $35 000, the tax reduction would be $736 (13.6%); for a person living alone and earning $75 000, the tax reduction would be $1 886 (12.3%);

- would further narrow the gap between the amount of income tax payable in Québec and that in Ontario, especially for taxpayers with higher incomes: with respect to an income of $100 000, the gap would be reduced approximately 69% for couples with two children, and 48% for a person living alone.

Moreover, this proposal would result in a more marked reduction in the marginal tax rate of taxpayers:

- 5.8 percentage points in the case of a couple with two children and an income of $50 000;

- 5 percentage points in the case of a person living alone and earning $25 000;

- 4 percentage points in the case of families and persons living alone who earn $75 000;

- 2 percentage points in the case of households with an income of $100 000.

TABLE 25
IMPACT OF PROPOSAL 3 ON CERTAIN TYPICAL HOUSEHOLDS

Employment income	Québec income tax			Marginal tax rate[1]		Average tax rate[1]		Québec-Ontario difference[2]	
	Current	Tax reduction		Current	Proposal	Current	Proposal	Current	Proposal
$	$	$	%	%	%	%	%	$	$
Couple, two children, one employment income									
15 000[3]	—	—	—	13.3	13.3	1.0	1.0	—	—
25 000[3]	—	—	—	13.3	13.3	5.9	5.9	—	—
35 000	1 395	654	46.9	49.9	47.1	13.2	11.3	-1 022	-1 676
50 000	5 745	1 074	18.7	53.7	47.9	24.4	22.2	1 037	-37
75 000	12 305	1 642	13.3	51.7	47.7	32.9	30.7	3 090	1 448
100 000	18 805	2 642	14.0	51.7	49.7	37.6	35.0	3 813	1 171
Person living alone (under 65 years of age)									
15 000	861	135	15.7	33.3	31.3	12.4	11.5	-55	-190
25 000	2 861	335	11.7	36.3	31.3	20.8	19.5	760	425
35 000	5 403	736	13.6	43.9	42.9	27.1	25.0	2 484	1 746
50 000	8 853	886	10.0	47.7	43.7	32.3	30.6	3 863	2 977
75 000	15 353	1 886	12.3	51.7	47.7	38.2	35.7	5 317	3 431
100 000	21 853	2 886	13.2	51.7	49.7	41.6	38.7	6 040	3 154

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, excluding the contribution to the anti-poverty fund (Fonds de lutte contre la pauvreté par la réinsertion au travail).

2. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

3. In Québec, couples with two children and one employment income do not pay tax on income below $30 189. The marginal tax rates and average tax rates correspond to those of the federal tax system.

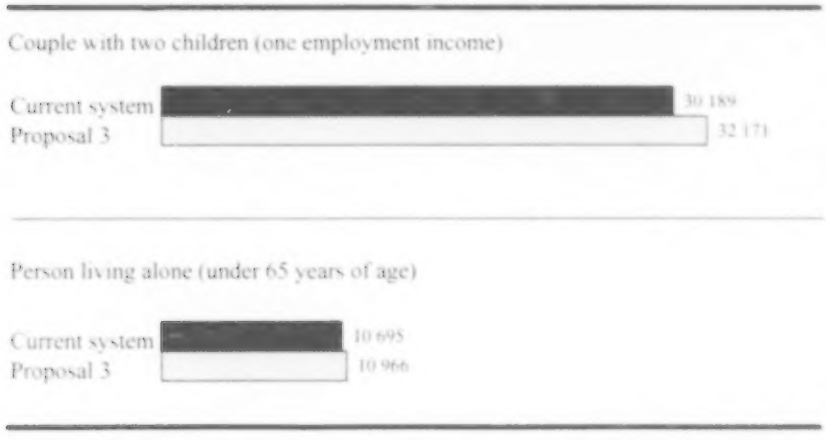
□ Impact on tax thresholds

Under Proposal 3, the tax threshold of a couple with two children would increase 6.6% or $1 982 (from $30 189 to $32 171).

The increase in the tax thresholds would remove 70 200 more taxpayers (including 37 500 with children) from the Québec tax rolls.

This proposal thus provides for the removal of the highest number of taxpayers from the tax rolls.

GRAPH 14
IMPACT OF PROPOSAL 3 ON TAX THRESHOLDS
(In dollars)



□ Impact on the average tax rates

Graph 15 shows the impact of Proposal 3 on the average tax rates for a couple with two children and for a person living alone.

Compared to their Ontario counterparts, the couple with two children would pay less tax in Québec on income of up to $50 225 ($42 672 under the current system), and the person living alone would pay less tax on income of up to $18 147 ($15 674 under the current system). The difference would be significantly reduced for households with higher incomes:

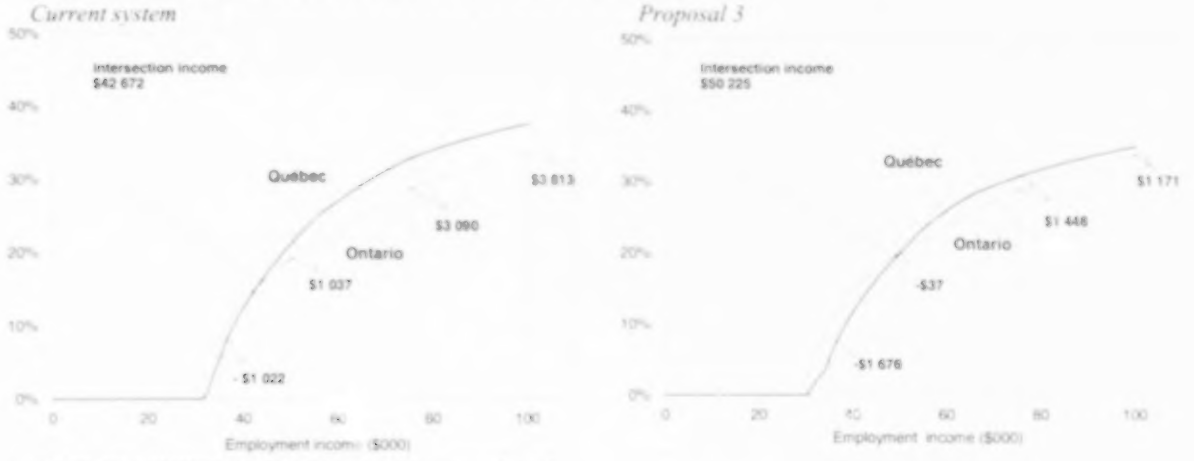
- $1 448 instead of $3 090 for a couple with two children and an income of $75 000;
- $3 431 instead of $5 317 for a single person earning $75 000.

GRAPH 15

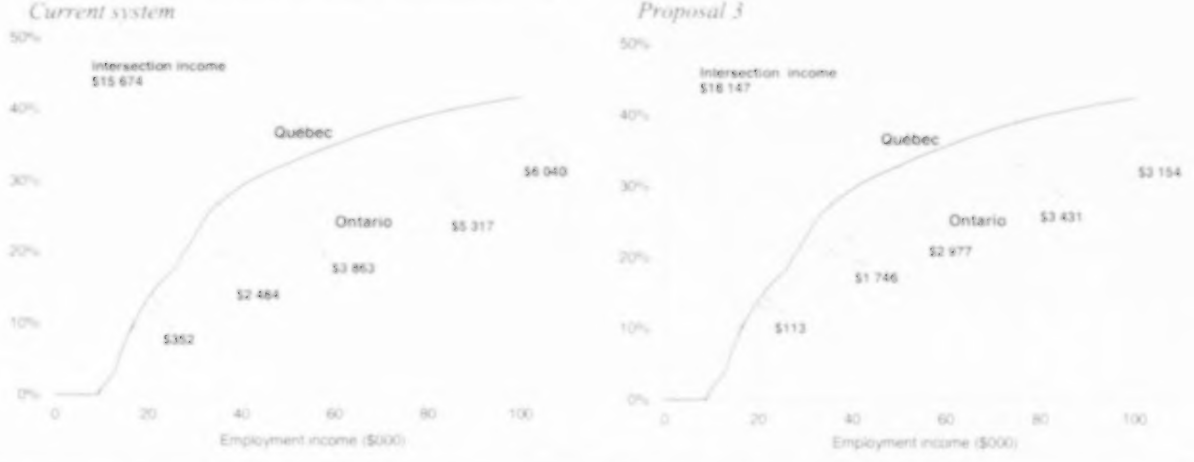
IMPACT OF PROPOSAL 3 ON THE AVERAGE TAX RATES[1]

Comparison Québec-Ontario

COUPLE, TWO CHILDREN, ONE EMPLOYMENT INCOME



PERSON LIVING ALONE (under 65 years of age)



Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1 Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

□ Illustration of the impact on the disposable income of certain typical households if the reduction is financed by means of an increase in the QST rate

Table 26 shows the impact of Proposal 3 on the disposable income of various households if the $600 million required to finance the reduction is obtained by increasing the QST rate from 7.5% to 8.66%. To compensate low-income households for the increase, $65 per adult plus $65 per person living alone (for a total of $130 for a couple or a person living alone) would be added to the QST credit. Moreover, the rate used to reduce the credit would decrease from 3% to 2% of the family income that exceeds $26 000.

The increase in the QST credit would improve the situation of low-income households. For example, the disposable income of a person living alone and earning $10 000 would go up $92. With respect to incomes of over $35 000, the increase in the QST rate would lessen only slightly the tax reduction for middle- and high-income households. For example, a couple with two children and an income of $75 000 would obtain an income tax reduction of $1 642 and pay $324 more in QST, for a net gain of $1 318.

TABLE 26
IMPACT OF PROPOSAL 3 ON THE DISPOSABLE INCOME OF CERTAIN TYPICAL HOUSEHOLDS
(In dollars)

	Couple with two children and one employment income				Person living alone			
Employment income	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
10 000	—	-100	130	30	—	-38	130	92
15 000	—	-107	130	23	135	-56	130	209
25 000	—	-126	130	4	335	-93	130	372
35 000	654	-160	220	714	736	-127	207	816
50 000	1 074	-221	0	853	886	-182	0	704
75 000	1 642	-324	0	1 318	1 886	-272	0	1 614
100 000	2 642	-432	0	2 210	2 886	-363	0	2 523

Note: The QST increase was calculated on the basis of consumer behaviour that reflects the average consumption of all households with a similar family situation. The impact illustrated here is therefore an example only.

4.2.4 Proposal 4: Middle class

Proposal 4 targets, in particular, the reduction of the income tax of middle-class households. It differs from the first three proposals in that it does not provide for an increase in the tax reduction for families.

□ **Proposed changes**

The tax table under Proposal 4 has two marginal tax rates:

- The first rate is 20%, which would apply to taxable income of up to $60 000.

- The second rate is 25%, applicable to incomes of over $60 000.

In order to reduce the income tax of low-income households, the proposal provides for an increase in certain amounts giving entitlement to non-refundable tax credits. In particular, the basic exemption would be increased by $440 for a couple (2 x $220) and by $290 for a person living alone. The threshold at which a taxpayer begins paying income tax in Québec would therefore be higher.

TABLE 27
COMPARISON OF PROPOSAL 4 AND THE CURRENT TAX SYSTEM, AND IMPACT ON THE TAX BURDEN

Changes to the tax system	Current system	Proposal 4
Tax table rates by taxable income bracket		
• 0 to $25 000	20%	20%
• $25 000 to $50 000	23%	|
• $50 000 to $60 000	26%	|
• Over $60 000	|	25%
Flat amount under the simplified tax system	$2 350	$2 450
Amounts giving entitlement to non-refundable tax credits		
• Basic amount	$5 900	$6 120
• Amount respecting a spouse	$5 900	$6 120
• Amount for a person living alone	$1 050	$1 120
• Amount respecting dependent children engaged in post-secondary studies (per term)	$1 650	$1 760
• Amount respecting other dependants with an infirmity	$5 900	$6 120
Impact on the tax burden (millions of dollars)		–1 310

□ Impact on certain typical households

Table 28 shows that this proposal

- would substantially reduce the income tax of households earning $50 000 or $75 000:
  - the income tax reduction would be $1 647 (13.4%) for a family with two children and an income of $75 000, and $1 574 (10.3%) for a person living alone and earning $75 000;
- would bring about a relatively significant decrease in the income tax of low-income families (by $447 or 32.0% for a couple with two children and an income of $35 000);
- would reduce by 6 .percentage points (from 53.7% to 47.7%) the marginal tax rate of a couple with two children and an income of $50 000;
- would narrow the gap between the amount of income tax payable in Québec and that in Ontario:
  - the difference would decrease from $1 037 to $140 for a family with an income of $50 000, and from $3 813 to $1 916 for a family with an income of $100 000;
  - the difference would decrease $1 824 (from $6 040 to $4 216) for a person living alone and earning $100 000.

TABLE 28
IMPACT OF PROPOSAL 4 ON CERTAIN TYPICAL HOUSEHOLDS

Employment income	Québec income tax			Marginal tax rate[1]		Average tax rate[1]		Québec-Ontario difference[2]	
	Current	Tax reduction		Current	Proposal	Current	Proposal	Current	Proposal
$	$	$	%	%	%	%	%	$	$
Couple, two children, one employment income									
15 000[3]	—	—	—	13.3	13.3	1.0	1.0	—	—
25 000[3]	—	—	—	13.3	13.3	5.9	5.9	—	—
35 000	1 395	447	32.0	49.9	46.9	13.2	11.9	-1 022	-1 469
50 000	5 745	897	15.6	53.7	47.7	24.4	22.6	1 037	140
75 000	12 305	1 647	13.4	51.7	50.7	32.9	30.7	3 090	1 442
100 000	18 805	1 897	10.1	51.7	50.7	37.6	35.7	3 813	1 916
Person living alone (under 65 years of age)									
15 000	861	90	10.5	33.3	33.3	12.4	11.8	-55	-145
25 000	2 861	90	3.1	36.3	33.3	20.8	20.4	760	669
35 000	5 403	374	6.9	43.9	40.9	27.1	26.0	2 484	2 110
50 000	8 853	824	9.3	47.7	41.7	32.3	30.7	3 863	3 039
75 000	15 353	1 574	10.3	51.7	50.7	38.2	36.1	5 317	3 743
100 000	21 853	1 824	8.3	51.7	50.7	41.6	39.7	6 040	4 216

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, excluding the contribution to the anti-poverty fund (Fonds de lutte contre la pauvreté par la réinsertion au travail).

2. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

3. In Québec, couples with two children and one employment income do not pay tax on income below $30 189. The marginal tax rates and average tax rates correspond to those of the federal tax system.

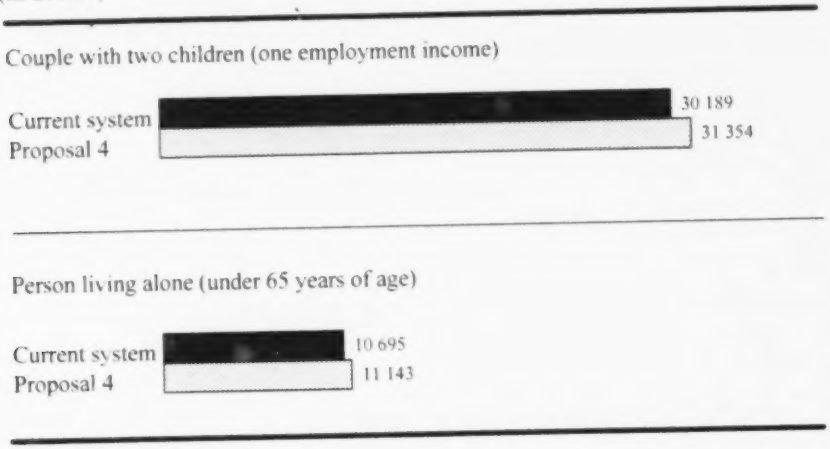
□ Impact on tax thresholds

Under Proposal 4, the tax threshold of a couple with two children would increase 3.9% or $1 165 (from $30 189 to $31 354). The tax threshold of a person living alone would go up from $10 695 to $11 143.

The increase in the tax thresholds would remove 65 700 more taxpayers (including 21 500 with children) from the Québec tax rolls.

What is more, this proposal would result in the removal from the tax rolls of a higher number of taxpayers without children than the first three proposals.

GRAPH 16
IMPACT OF PROPOSAL 4 ON TAX THRESHOLDS
(In dollars)



□ Impact on the average tax rates

Graph 17 shows the impact of Proposal 4 on the average tax rates for a couple with two children and for a person living alone.

Compared to their counterparts in Ontario, the couple with two children would pay less tax in Québec on income of up to $48 750 ($42 672 under the current system), and the person living alone would pay less tax on income of up to $16 802 ($15 674 under the current system). The gap would, however, remain for households with high incomes:

- $1 442 for a couple with two children and an income of $75 000;

- $3 743 for a person living alone and earning $75 000.

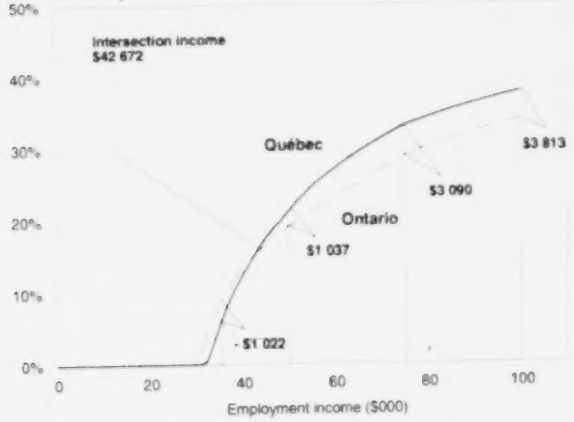
GRAPH 17

IMPACT OF PROPOSAL 4 ON THE AVERAGE TAX RATES[1]

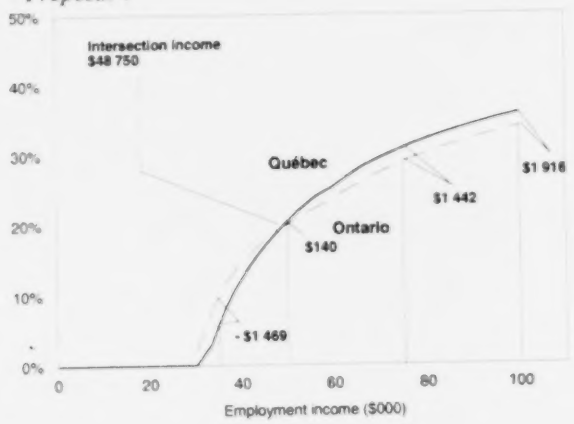
Comparison Québec-Ontario

COUPLE, TWO CHILDREN, ONE EMPLOYMENT INCOME

Current system

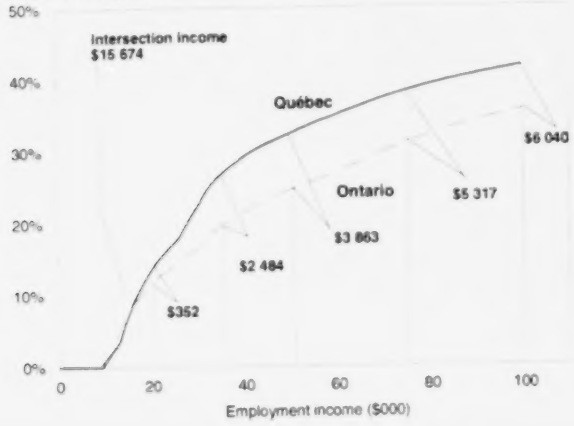


Proposal 4

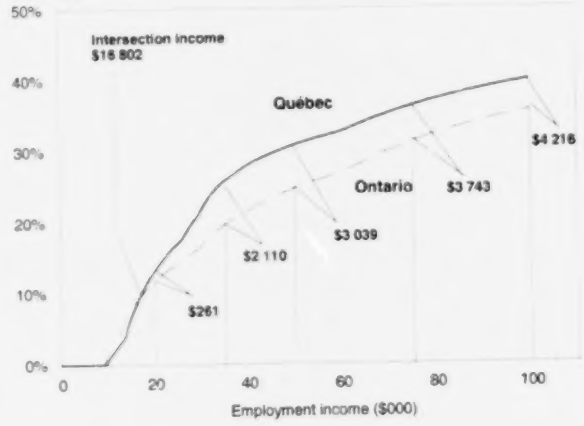


PERSON LIVING ALONE (under 65 years of age)

Current system



Proposal 4



Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

4.2.5 Proposal 5: Middle- and high-income households

The focus of Proposal 5 is the reduction of the income tax of middle- and high-income households, that is, a tax reduction for taxpayers who pay far more income tax in Québec than their counterparts in other jurisdictions.

Proposal 5 provides for a personal income tax reduction of $1.7 billion. However, the reduction would require partial financing of $377 million. The resulting shortfall could be financed, for example, by an increase in the Québec sales tax (QST) rate.

□ Proposed changes

This proposal provides for the implementation of a tax table with a single marginal tax rate of 20%.

To increase the tax thresholds of low-income households, it includes, as in Proposal 4, an increase in certain amounts giving entitlement to non-refundable tax credits.

TABLE 29
COMPARISON OF PROPOSAL 5 AND THE CURRENT TAX SYSTEM, AND IMPACT ON THE TAX BURDEN

Changes to the tax system	Current system	Proposal 5
Tax table rates by taxable income bracket		
• 0 to $25 000	20%	20%
• $25 000 to $50 000	23%	|
• Over $50 000	26%	|
Flat amount under the simplified tax system	$2 350	$2 450
Amounts giving entitlement to non-refundable tax credits		
• Basic amount	$5 900	$6 120
• Amount respecting a spouse	$5 900	$6 120
• Amount for a person living alone	$1 050	$1 120
• Amount respecting dependent children engaged in post-secondary studies (per term)	$1 650	$1 760
• Amount respecting other dependants with an infirmity	$5 900	$6 120
Impact on the tax burden (millions of dollars)		
• Personal income tax		−1 710
• Financing measures		377
Total impact		−1 333

□ Impact on certain typical households

Table 30 shows that this proposal

- would significantly reduce the income tax of middle- and high-income taxpayers:
  - the income tax reduction would be $2 397 (19.5%) for a couple with two children and an income of $75 000, and $3 897 (20.7%) for a couple with two children and an income of $100 000;
  - the income tax reduction would be $2 324 (15.1%) for a person living alone and earning $75 000, and $3 824 (17.5%) for a person living alone and earning $100 000;
- would nevertheless provide a relatively significant reduction for lower-income households:
  - the income tax reduction would be $447 (32.0%) for a couple with two children and an income of $35 000, and $897 (15.6%) for a couple with two children and an income of $50 000;
- would significantly reduce the marginal tax rates of high-income households:
  - on a taxable income of $100 000, the marginal tax rate would decrease 6 percentage points (from 51.7% to 45.7%), and would be less than the maximum marginal tax rate in Ontario (48.8%);
  - by comparison, the marginal tax rate would drop by 3 percentage points for a person living alone whose taxable income is $25 000;
- would significantly reduce the difference between the amount of income tax payable in Québec and that payable in other jurisdictions for taxpayers with the highest tax burden. For example, as compared to Ontario,
  - income tax would be $84 less for a couple with two children and an income of $100 000;
  - the gap would be reduced by $3 824 (decreasing from $6 040 to $2 216) for a person living alone and earning $100 000.

TABLE 30
IMPACT OF PROPOSAL 5 ON CERTAIN TYPICAL HOUSEHOLDS

Employment income	Québec income tax			Marginal tax rate[1]		Average tax rate[1]		Québec-Ontario difference[2]	
	Current	Tax reduction		Current	Proposal	Current	Proposal	Current	Proposal
$	$	$	%	%	%	%	%	$	$
Couple, two children, one employment income									
15 000[3]	—	—	—	13.3	13.3	1.0	1.0	—	—
25 000[3]	—	—	—	13.3	13.3	5.9	5.9	—	—
35 000	1 395	447	32.0	49.9	46.9	13.2	11.9	-1 022	-1 469
50 000	5 745	897	15.6	53.7	47.7	24.4	22.6	1 037	140
75 000	12 305	2 397	19.5	51.7	45.7	32.9	29.7	3 090	692
100 000	18 805	3 897	20.7	51.7	45.7	37.6	33.7	3 813	-84
Person living alone (under 65 years of age)									
15 000	861	90	10.5	33.3	33.3	12.4	11.8	-55	-145
25 000	2 861	90	3.1	36.3	33.3	20.8	20.4	760	669
35 000	5 403	374	6.9	43.9	40.9	27.1	26.0	2 484	2 110
50 000	8 853	824	9.3	47.7	41.7	32.3	30.7	3 863	3 039
75 000	15 353	2 324	15.1	51.7	45.7	38.2	35.1	5 317	2 993
100 000	21 853	3 824	17.5	51.7	45.7	41.6	37.7	6 040	2 216

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, excluding the contribution to the anti-poverty fund (Fonds de lutte contre la pauvreté par la réinsertaion au travail).

2. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

3. In Québec, couples with two children and one employment income do not pay tax on income below $30 189. The marginal tax rates and average tax rates correspond to those of the federal tax system.

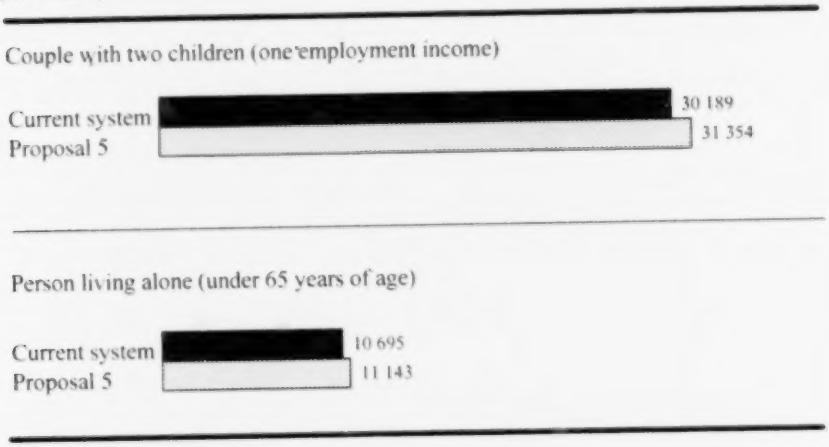
□ Impact on tax thresholds

Under Proposal 5, the tax threshold of a couple with two children would increase 3.9% or $1 165 (from $30 189 to $31 354).

The increase in the tax thresholds would remove 65 800 more taxpayers (including 21 500 with children) from the Québec tax rolls.

Moreover, as under Proposal 4, this proposal would result in the removal of a higher number of taxpayers without children from the tax rolls than the first three proposals.

GRAPH 18
IMPACT OF PROPOSAL 5 ON TAX THRESHOLDS
(In dollars)



□ Impact on the average tax rates

Graph 19 shows the impact of Proposal 5 on the average tax rates for a couple with two children and for a person living alone.

Compared to their counterparts in Ontario, the couple with two children would pay less tax in Québec on income of up to $48 750 ($42 672 under the current system), and the person living alone would pay less tax on income of up to $16 802 ($15 674 under the current system). The difference would be significantly reduced for households with higher incomes:

- $692 for a couple with two children and an income of $75 000;
- $2 993 for a person living alone and earning $75 000.

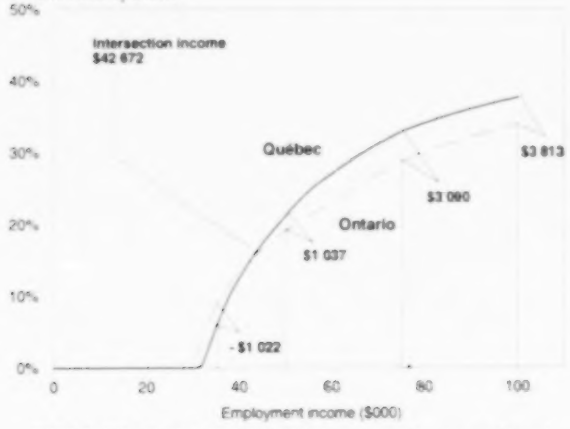
GRAPH 19

IMPACT OF PROPOSAL 5 ON THE AVERAGE TAX RATES[1]

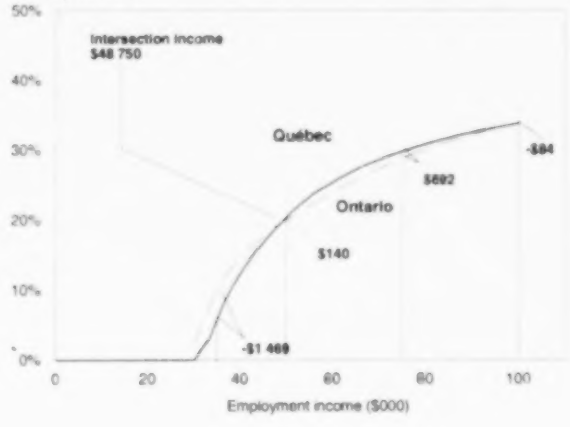
Comparison Québec-Ontario

COUPLE, TWO CHILDREN, ONE EMPLOYMENT INCOME

Current system

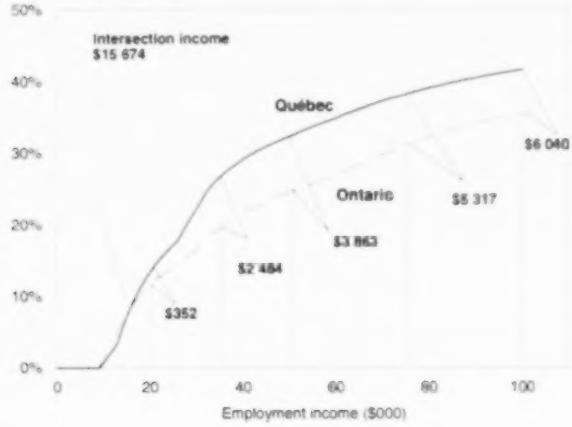


Proposal 5

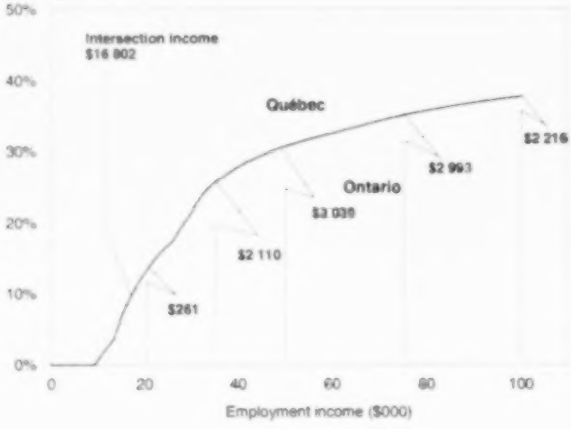


PERSON LIVING ALONE (under 65 years of age)

Current system



Proposal 5



Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, minus refundable tax credits, the child tax benefit and the family allowance.

□ Illustration of the impact on disposable income if the reduction is financed by means of an increase in the QST rate

Table 31 shows the impact of Proposal 5 on disposable income if the $377 million required to finance the reduction is obtained by increasing the QST rate from 7.5% to 8.27%. To compensate low-income households for the increase, $45 per adult plus $45 per person living alone (for a total of $90 for a couple or a person living alone) would be added to the QST credit. Moreover, the rate used to reduce the credit would decrease from 3% to 1.5% of the family income that exceeds $26 000.

The increase in the QST credit would improve the situation of low-income households. For example, the disposable income of a person living alone with an income of $10 000 would go up $65. With respect to incomes of over $35 000, the increase in the QST rate would lessen only slightly the tax reduction for middle- and high-income families. For example, a couple with two children and an income of $75 000 would obtain an income tax reduction of $2 397 and pay $215 more QST, for a net gain of $2 182.

TABLE 31
IMPACT OF PROPOSAL 5 ON THE DISPOSABLE INCOME OF CERTAIN TYPICAL HOUSEHOLDS
(In dollars)

Employment income	Couple with two children and one employment income				Person living alone			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
10 000	—	-66	90	24	—	-25	90	65
15 000	—	-71	90	19	90	-38	90	142
25 000	—	-84	90	6	90	-62	90	118
35 000	447	-106	225	566	374	-84	212	501
50 000	897	-147	38	788	824	-120	0	703
75 000	2 397	-215	0	2 182	2 324	-181	0	2 143
100 000	3 897	-287	0	3 610	3 824	-241	0	3 583

Note: The QST increase was calculated on the basis of consumer behaviour that reflects the average consumption of all households with a similar family situation. The impact illustrated here is therefore an example only.

4.3 Combined impact of the income tax reductions provided under the 1998 tax reform and the proposals

Together with the impact of the 1998 personal income tax reform, the five proposals presented for discussion

- make different changes to tax system progressivity by granting different tax reductions depending on taxpayers' income;
- take into account objectives respecting certain categories of taxpayers, such as families;
- have a somewhat more marked impact so as to maintain the incentive to work and narrow the gap between the amount of income tax payable in Québec and that payable in other jurisdictions.

The following tables present the results for a couple with two children and one employment income, and for a person living alone.

TABLE 32
COMBINED IMPACT OF THE INCOME TAX REDUCTIONS PROVIDED UNDER THE 1998 TAX REFORM AND THE PROPOSALS, FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-259	—	—	—	—	—	—	—	—	—	—	—
10 000	-398	—	—	—	—	—	—	—	—	—	—	—
15 000	-436	—	—	—	—	—	—	—	—	—	—	—
20 000	-464	—	—	—	—	—	—	—	—	—	—	—
25 000	-485	—	—	—	—	—	—	—	—	—	—	—
30 000	395	713	713	180.5	713	180.5	713	180.5	713	180.5	713	180.5
35 000	2 031	707	1 420	69.9	1 198	59.0	1 361	67.0	1 154	56.8	1 154	56.8
40 000	3 574	729	1 712	47.9	1 360	38.1	1 523	42.6	1 326	37.1	1 326	37.1
45 000	5 060	765	1 928	38.1	1 536	30.4	1 699	33.6	1 512	29.9	1 512	29.9
50 000	6 612	867	2 210	33.4	1 778	26.9	1 941	29.4	1 764	26.7	1 764	26.7
75 000	13 279	974	1 693	12.7	2 453	18.5	2 616	19.7	2 621	19.7	3 371	25.4
100 000	19 879	1 074	1 793	9.0	3 553	17.9	3 716	18.7	2 971	14.9	4 971	25.0

1. Net income tax: income tax minus refundable tax credits.
2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

TABLE 33

COMBINED IMPACT OF THE INCOME TAX REDUCTIONS PROVIDED UNDER THE 1998 TAX REFORM AND THE PROPOSALS, FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE

(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-178	—	—	—	—	—	—	—	—	—	—	—
10 000	-275	8	8	—	8	—	8	—	8	—	8	—
15 000	757	270	349	46.1	349	46.1	405	53.5	360	47.6	360	47.6
20 000	1 913	479	608	31.8	608	31.8	714	37.3	569	29.7	569	29.7
25 000	2 995	614	793	26.5	793	26.5	949	31.7	704	23.5	704	23.5
30 000	4 228	361	746	17.6	746	17.6	958	22.7	601	14.2	601	14.2
35 000	5 457	186	776	14.2	626	11.5	922	16.9	560	10.3	560	10.3
40 000	6 648	116	846	12.7	606	9.1	902	13.6	640	9.6	640	9.6
45 000	7 879	176	956	12.1	716	9.1	1 012	12.8	850	10.8	850	10.8
50 000	9 109	257	1 087	11.9	847	9.3	1 143	12.5	1 081	11.9	1 081	11.9
75 000	15 677	325	1 155	7.4	1 915	12.2	2 211	14.1	1 899	12.1	2 649	16.9
100 000	22 277	425	1 255	5.6	3 015	13.5	3 311	14.9	2 249	10.1	4 249	19.1

1. Net income tax: income tax minus refundable tax credits.

2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

CONCLUSION

The information and proposals presented in this document will serve as a basis for the upcoming discussion of the ways and means of reducing personal income tax.

The Québec government has made a clear commitment to easing the tax burden of Quebecers by a total of $1.3 billion in the course of this mandate. To this end, an initial tax reduction of $400 million has already been slated for July 1, 2000. In defining its approach to meeting this commitment, the government will use the ideas expressed during the consultation process.

By opening a discussion on the means of reducing personal income tax, the government is in fact initiating a debate on our collective social objectives at a time when we can reap the initial benefits of the improvement of our public finances.

For the debate to be successful, the relevant information must be made available to the public. It is for this reason that we have published the document ***Personal Income Tax Reduction: Discussion Paper***.

Appendices

Appendix 1: Impact of the proposals on tax thresholds and the number of taxpayers and households not on the tax rolls

□ Tax thresholds

TABLE A.1
IMPACT OF PROPOSALS ON INCOME THRESHOLDS AT WHICH INCOME TAX BECOMES PAYABLE,[1] QUÉBEC
(In dollars)

	Current system	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Couple with two children						
— one employment income	30 189	31 955	31 549	32 171	31 354	31 354
— two employment incomes	30 788	31 955	31 750	32 202	31 354	31 354
Single-parent family with one child	21 155	21 689	21 689	22 155	21 603	21 603
Couple under 65 years of age without children						
— one employment income	18 975	19 336	19 336	19 483	19 711	19 711
— two employment incomes	18 975	19 336	19 336	19 483	19 711	19 711
Couple aged 65 or older						
— retired	25 185	25 589	25 589	25 697	25 921	25 921
Single person under 65 years of age						
— living alone	10 695	10 884	10 884	10 966	11 143	11 143
— sharing a dwelling	9 487	9 668	9 668	9 741	9 855	9 855
Single person aged 65 or older						
— living alone	14 375	14 589	14 589	14 700	14 823	14 823
— sharing a dwelling	13 167	13 373	13 373	13 475	13 535	13 535

1. Tax threshold under the simplified tax system.

Note: For couples with two employment incomes, it is assumed that one spouse earns 60% of the household income, and the other, 40%. In the case of taxpayers under 65 years of age, income is employment income. For taxpayers aged 65 or older, income includes retirement and investment income, as well as old age security pension payments including, where applicable, those of the spouse.

□ Number of households and taxpayers not on the tax rolls

TABLE A.2
NUMBER OF HOUSEHOLDS AND TAXPAYERS NOT ON THE TAX ROLLS
(In thousands)

Type of household	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Number of households					
— Elderly persons	6.3	6.2	9.4	12.6	12.6
— Couples with children	17.4	13.8	19.6	10.8	10.8
— Couples without children	2.2	2.2	3.6	5.3	5.3
— Single-parent families	2.5	2.3	4.2	2.0	2.0
— Single persons	8.3	8.2	12.6	17.2	17.2
Total	36.7	32.7	49.4	47.9	47.9
Number of taxpayers					
— Elderly persons	8.2	8.0	11.7	15.6	15.6
— Couples with children	29.9	23.4	33.3	19.5	19.5
— Couples without children	5.5	5.4	8.4	11.4	11.5
— Single-parent families	2.5	2.3	4.2	2.0	2.0
— Single persons	8.3	8.2	12.6	17.2	17.3
Total	54.3	47.3	70.2	65.7	65.8

Appendix 2: Impact of proposals by category of households

☐ All households

TABLE A.3
IMPACT OF PROPOSALS BY CATEGORY OF HOUSEHOLDS
(Excluding the impact of the financing measures provided for in Proposals 3 and 5)

	Categories of households				
	Elderly persons[1]	Families with children	Couples without children	Single persons	Total
In millions of dollars					
Proposal 1	-120	-655	-317	-240	-1 333
Proposal 2	-133	-633	-338	-233	-1 338
Proposal 3	-196	-855	-494	-361	-1 906
Proposal 4	-133	-609	-346	-222	-1 310
Proposal 5	-187	-797	-460	-266	-1 710
As a percentage of Québec income tax					
Proposal 1	-8.1	-11.0	-8.0	-8.2	-9.3
Proposal 2	-9.0	-10.7	-8.5	-8.0	-9.3
Proposal 3	-13.2	-14.4	-12.4	-12.4	-13.3
Proposal 4	-9.0	-10.3	-8.7	-7.6	-9.2
Proposal 5	-12.6	-13.4	-11.6	-9.1	-12.0
In dollars per household on the tax rolls					
Proposal 1	-375	-902	-648	-307	-575
Proposal 2	-415	-872	-692	-298	-577
Proposal 3	-611	-1 177	-1 011	-461	-822
Proposal 4	-415	-839	-708	-284	-565
Proposal 5	-585	-1 097	-942	-340	-738

1. Households with at least one person aged 65 or older.

□ Low-income households

TABLE A.4
IMPACT OF PROPOSALS BY CATEGORY OF LOW-INCOME HOUSEHOLDS[1]
(Excluding the impact of the financing measures provided for in Proposals 3 and 5)

	Categories of households				
	Elderly persons[2]	Families with children	Couples without children	Single persons	Total
In millions of dollars					
Proposal 1	-17	-7	-9	-57	-90
Proposal 2	-17	-6	-9	-57	-89
Proposal 3	-28	-10	-15	-100	-151
Proposal 4	-16	-5	-11	-40	-72
Proposal 5	-16	-5	-11	-40	-72
As a percentage of Québec income tax					
Proposal 1	-10.5	-21.3	-11.8	-7.6	-8.8
Proposal 2	-10.5	-19.8	-11.8	-7.6	-8.7
Proposal 3	-17.2	-29.8	-18.7	-13.3	-14.8
Proposal 4	-10.2	-14.9	-13.5	-5.4	-7.1
Proposal 5	-10.2	-15.0	-13.6	-5.4	-7.1
In dollars per household on the tax rolls					
Proposal 1	-112	-174	-130	-117	-120
Proposal 2	-112	-162	-130	-117	-120
Proposal 3	-184	-244	-206	-205	-203
Proposal 4	-109	-122	-149	-83	-97
Proposal 5	-109	-122	-149	-83	-97

1. Households with an income under $30 000.
2. Households with at least one person aged 65 or older.

□ Middle-income households

TABLE A.5
IMPACT OF PROPOSALS BY CATEGORY OF MIDDLE-INCOME HOUSEHOLDS[1]
(Excluding the impact of the financing measures provided for in Proposals 3 and 5)

	Categories of households				
	Elderly persons[1]	Families with children	Couples without children	Single persons	Total
In millions of dollars					
Proposal 1	-80	-446	-184	-170	-880
Proposal 2	-67	-339	-156	-141	-704
Proposal 3	-104	-465	-246	-218	-1 032
Proposal 4	-72	-300	-160	-151	-684
Proposal 5	-74	-308	-163	-156	-700
As a percentage of Québec income tax					
Proposal 1	-10.2	-16.5	-9.7	-9.5	-12.3
Proposal 2	-8.6	-12.6	-8.2	-7.9	-9.8
Proposal 3	-13.3	-17.2	-12.9	-12.1	-14.4
Proposal 4	-9.2	-11.1	-8.4	-8.5	-9.5
Proposal 5	-9.4	-11.4	-8.6	-8.7	-9.8
In dollars per household on the tax rolls					
Proposal 1	-538	-875	-588	-605	-703
Proposal 2	-457	-666	-500	-501	-563
Proposal 3	-705	-913	-786	-773	-825
Proposal 4	-487	-590	-512	-538	-547
Proposal 5	-498	-604	-522	-553	-560

1. Households with an income of between $30 000 and $80 000.
2. Households with at least one person aged 65 or older.

☐ High-income households

TABLE A.6
IMPACT OF PROPOSALS BY CATEGORY OF HIGH-INCOME HOUSEHOLDS[1]
(Excluding the impact of the financing measures provided for in Proposals 3 and 5)

	Categories of households				
	Elderly persons[2]	Families with children	Couples without children	Single persons	Total
In millions of dollars					
Proposal 1	-24	-203	-124	-13	-363
Proposal 2	-49	-288	-172	-36	-544
Proposal 3	-64	-380	-233	-44	-722
Proposal 4	-45	-304	-175	-31	-554
Proposal 5	-97	-484	-286	-70	-938
As a percentage of Québec income tax					
Proposal 1	-4.4	-6.3	-6.2	-3.5	-5.9
Proposal 2	-9.0	-9.0	-8.7	-9.4	-8.9
Proposal 3	-11.8	-11.9	-11.7	-11.7	-11.8
Proposal 4	-8.2	-9.5	-8.8	-8.1	-9.1
Proposal 5	-17.9	-15.1	-14.4	-18.6	-15.3
In dollars per household on the tax rolls					
Proposal 1	-1 069	-1 141	-1 180	-773	-1 129
Proposal 2	-2 194	-1 620	-1 648	-2 059	-1 692
Proposal 3	-2 883	-2 140	-2 230	-2 561	-2 243
Proposal 4	-2 011	-1 713	-1 672	-1 770	-1 723
Proposal 5	-4 379	-2 727	-2 735	-4 050	-2 915

1. Households with an income of more than $80 000.
2. Households with at least one person aged 65 or older.

Appendix 3: Impact of the proposals on the income tax payable of certain typical households

□ Families with children

TABLE A.7
INCOME TAX REDUCTION FOR A COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES
(In dollars)

Employment income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
0	—	—	—	—	—	—	—	—	—	—	—
10 000	—	—	—	—	—	—	—	—	—	—	—
15 000	—	—	—	—	—	—	—	—	—	—	—
20 000	—	—	—	—	—	—	—	—	—	—	—
25 000	—	—	—	—	—	—	—	—	—	—	—
30 000	—	—	—	—	—	—	—	—	—	—	—
35 000	1 095	413	37.7	341	31.1	474	43.3	147	13.4	147	13.4
40 000	2 395	593	24.8	481	20.1	664	27.7	147	6.1	147	6.1
45 000	3 755	833	22.2	681	18.1	914	24.3	207	5.5	207	5.5
50 000	5 145	1 103	21.4	911	17.7	1 194	23.2	297	5.8	297	5.8
75 000	10 805	1 119	10.4	879	8.1	1 342	12.4	897	8.3	897	8.3
100 000	16 855	1 509	9.0	1 429	8.5	1 972	11.7	1 947	11.6	1 947	11.6

Note: It is assumed that one spouse earns 60% of the household employment income, and the other, 40%.

TABLE A.8
INCOME TAX REDUCTION FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(In dollars)

Employment income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
0	—	—	—	—	—	—	—	—	—	—	—
10 000	—	—	—	—	—	—	—	—	—	—	—
15 000	—	—	—	—	—	—	—	—	—	—	—
20 000	—	—	—	—	—	—	—	—	—	—	—
25 000	—	—	—	—	—	—	—	—	—	—	—
30 000	—	—	—	—	—	—	—	—	—	—	—
35 000	1 395	713	51.1	491	35.2	654	46.9	447	32.0	447	32.0
40 000	2 845	983	34.6	631	22.2	794	27.9	597	21.0	597	21.0
45 000	4 295	1 163	27.1	771	18.0	934	21.7	747	17.4	747	17.4
50 000	5 745	1 343	23.4	911	15.9	1 074	18.7	897	15.6	897	15.6
75 000	12 305	719	5.8	1 479	12.0	1 642	13.3	1 647	13.4	2 397	19.5
100 000	18 805	719	3.8	2 479	13.2	2 642	14.0	1 897	10.1	3 897	20.7

TABLE A.9
INCOME TAX REDUCTION FOR A SINGLE-PARENT FAMILY WITH ONE CHILD
(In dollars)

Employment income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
0	—	—	—	—	—	—	—	—	—	—	—
10 000	—	—	—	—	—	—	—	—	—	—	—
15 000	—	—	—	—	—	—	—	—	—	—	—
20 000	—	—	—	—	—	—	—	—	—	—	—
25 000	769	140	18.2	140	18.2	257	33.4	90	11.7	90	11.7
30 000	2 297	450	19.6	418	18.2	591	25.7	240	10.4	240	10.4
35 000	3 851	785	20.4	563	14.6	820	21.3	374	9.7	374	9.7
40 000	5 301	1 055	19.9	703	13.3	960	18.1	524	9.9	524	9.9
45 000	6 751	1 235	18.3	843	12.5	1 100	16.3	674	10.0	674	10.0
50 000	7 956	1 170	14.7	738	9.3	995	12.5	824	10.4	824	10.4
75 000	14 456	791	5.5	1 551	10.7	1 808	12.5	1 574	10.9	2 324	16.1
100 000	20 956	791	3.8	2 551	12.2	2 808	13.4	1 824	8.7	3 824	18.2

□ Couples without children

TABLE A.10
INCOME TAX REDUCTION FOR A COUPLE WITHOUT CHILDREN AND WITH TWO EMPLOYMENT INCOMES
(In dollars)

Employment income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
0	—	—	—	—	—	—	—	—	—	—	—
10 000	—	—	—	—	—	—	—	—	—	—	—
15 000	—	—	—	—	—	—	—	—	—	—	—
20 000	205	79	38.5	79	38.5	112	54.6	147	71.7	147	71.7
25 000	1 205	129	10.7	129	10.7	212	17.6	147	12.2	147	12.2
30 000	2 205	179	8.1	179	8.1	312	14.1	147	6.7	147	6.7
35 000	3 205	229	7.1	229	7.1	412	12.9	147	4.6	147	4.6
40 000	4 205	279	6.6	279	6.6	512	12.2	147	3.5	147	3.5
45 000	5 265	389	7.4	389	7.4	672	12.8	207	3.9	207	3.9
50 000	6 355	529	8.3	529	8.3	862	13.6	297	4.7	297	4.7
75 000	11 955	1 169	9.8	929	7.8	1 442	12.1	897	7.5	897	7.5
100 000	18 005	1 559	8.7	1 479	8.2	2 072	11.5	1 947	10.8	1 947	10.8

Note: It is assumed that one spouse earns 60% of the household employment income, and the other, 40%.

TABLE A.11
INCOME TAX REDUCTION FOR A COUPLE WITHOUT CHILDREN AND WITH ONE EMPLOYMENT INCOME
(In dollars)

Employment income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
0	—	—	—	—	—	—	—	—	—	—	—
10 000	—	—	—	—	—	—	—	—	—	—	—
15 000	—	—	—	—	—	—	—	—	—	—	—
20 000	205	79	38.5	79	38.5	112	54.6	147	71.7	147	71.7
25 000	1 205	129	10.7	129	10.7	212	17.6	147	12.2	147	12.2
30 000	2 355	329	14.0	329	14.0	462	19.6	297	12.6	297	12.6
35 000	3 505	529	15.1	379	10.8	592	16.9	447	12.8	447	12.8
40 000	4 655	669	14.4	429	9.2	642	13.8	597	12.8	597	12.8
45 000	5 805	719	12.4	479	8.3	692	11.9	747	12.9	747	12.9
50 000	6 955	769	11.1	529	7.6	742	10.7	897	12.9	897	12.9
75 000	13 455	769	5.7	1 529	11.4	1 742	12.9	1 647	12.2	2 397	17.8
100 000	19 955	769	3.9	2 529	12.7	2 742	13.7	1 897	9.5	3 897	19.5

□ Persons under 65 years of age who live alone

TABLE A.12
INCOME TAX REDUCTION FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE
(In dollars)

Total income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
0	—	—	—	—	—	—	—	—	—	—	—
10 000	—	—	—	—	—	—	—	—	—	—	—
15 000	861	79	9.2	79	9.2	135	15.7	90	10.5	90	10.5
20 000	1 861	129	6.9	129	6.9	235	12.6	90	4.8	90	4.8
25 000	2 861	179	6.3	179	6.3	335	11.7	90	3.1	90	3.1
30 000	4 149	385	9.3	385	9.3	597	14.4	240	5.8	240	5.8
35 000	5 403	590	10.9	440	8.1	736	13.6	374	6.9	374	6.9
40 000	6 553	730	11.1	490	7.5	786	12.0	524	8.0	524	8.0
45 000	7 703	780	10.1	540	7.0	836	10.9	674	8.7	674	8.7
50 000	8 853	830	9.4	590	6.7	886	10.0	824	9.3	824	9.3
75 000	15 353	830	5.4	1 590	10.4	1 886	12.3	1 574	10.3	2 324	15.1
100 000	21 853	830	3.8	2 590	11.8	2 886	13.2	1 824	8.3	3 824	17.5

□ Elderly persons

TABLE A.13
INCOME TAX REDUCTION FOR A PERSON AGED 65 OR OLDER WHO LIVES ALONE
(In dollars)

Total income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
15 000	—	—	—	—	—	—	—	—	—	—	—
20 000	1 125	97	8.6	97	8.6	171	15.2	90	8.0	90	8.0
25 000	2 125	147	6.9	147	6.9	271	12.8	90	4.2	90	4.2
30 000	3 413	353	10.3	353	10.3	533	15.6	240	7.0	240	7.0
35 000	4 736	561	11.8	411	8.7	678	14.3	390	8.2	390	8.2
40 000	6 058	708	11.7	468	7.7	743	12.3	540	8.9	540	8.9
45 000	7 381	765	10.4	526	7.1	808	10.9	690	9.3	690	9.3
50 000	8 703	823	9.5	583	6.7	873	10.0	840	9.7	840	9.7
75 000	15 781	827	5.2	1 587	10.1	1 903	12.1	1 551	9.8	2 301	14.6
100 000	22 221	824	3.7	2 584	11.6	2 897	13.0	1 801	8.1	3 801	17.1

TABLE A.14
INCOME TAX REDUCTION FOR A COUPLE AGED 65 OR OLDER
(In dollars)

Total income	Income tax payable current system	Income tax reduction									
		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
		$	%	$	%	$	%	$	%	$	%
25 000	—	—	—	—	—	—	—	—	—	—	—
30 000	1 101	131	11.9	131	11.9	216	19.6	147	13.4	147	13.4
35 000	2 424	339	14.0	339	14.0	481	19.8	297	12.3	297	12.3
40 000	3 746	546	14.6	396	10.6	626	16.7	447	11.9	447	11.9
45 000	5 069	694	13.7	454	9.0	691	13.6	597	11.8	597	11.8
50 000	6 391	751	11.8	511	8.0	756	11.8	747	11.7	747	11.7
75 000	13 925	819	5.9	1 497	10.8	1 760	12.6	1 627	11.7	2 275	16.3
100 000	20 725	815	3.9	2 375	11.5	2 680	12.9	1 801	8.7	3 667	17.7

Appendix 4: Illustration of the impact of a Québec sales tax increase

In Proposals 3 and 5, the partial financing is based on the following hypotheses:

	Proposal 3	*Proposal 5*
– QST increase	$600 million	$377 million
– QST rate	7.5% to 8.66%	7.5% to 8.27%
– Increase in the QST credit		
• per adult	$65	$45
• additional amount for a person living alone	$65	$45
– Decrease in the rate used to reduce the QST credit	3% to 2%	3% to 1.5%

The impact of the QST increase on typical households is given as an example only, as it is based on an average consumption profile for each family situation. The increase in the QST credit has been established in such a way so as to avoid increasing the tax burden.

□ Families with children

TABLE A.15
TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES
(In dollars)

Employment income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
0	—	-66	130	64	—	-44	90	46
5 000	—	-91	130	39	—	-60	90	30
10 000	—	-101	130	29	—	-67	90	23
12 000	—	-105	130	25	—	-70	90	20
15 000	—	-109	130	21	—	-73	90	17
17 000	—	-115	130	15	—	-76	90	14
20 000	—	-122	130	8	—	-81	90	9
25 000	—	-127	130	3	—	-85	90	5
30 000	—	-142	170	28	—	-95	150	55
35 000	474	-161	220	533	147	-107	225	265
40 000	664	-181	158	641	147	-120	188	215
45 000	914	-201	58	771	207	-133	113	187
50 000	1 194	-222	0	972	297	-147	38	188
75 000	1 342	-324	0	1 018	897	-215	0	682
100 000	1 972	-432	0	1 540	1 947	-287	0	1 660

Note: It is assumed that one spouse earns 60% of the household employment income, and the other, 40%.

TABLE A.16
TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(In dollars)

Employment income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
0	—	-64	130	66	—	-42	90	48
5 000	—	-91	130	39	—	-61	90	29
10 000	—	-100	130	30	—	-66	90	24
12 000	—	-103	130	27	—	-68	90	22
15 000	—	-107	130	23	—	-71	90	19
17 000	—	-112	130	18	—	-74	90	16
20 000	—	-118	130	12	—	-78	90	12
25 000	—	-126	130	4	—	-84	90	6
30 000	—	-141	170	29	—	-94	150	56
35 000	654	-160	220	714	447	-106	225	566
40 000	794	-180	158	772	597	-119	188	666
45 000	934	-200	58	792	747	-133	113	727
50 000	1 074	-221	0	853	897	-147	38	788
75 000	1 642	-324	0	1 318	2 397	-215	0	2 182
100 000	2 642	-432	0	2 210	3 897	-287	0	3 610

TABLE A.17
TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A SINGLE-PARENT FAMILY WITH ONE CHILD
(In dollars)

Employment income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
0	—	-56	130	74	—	-37	90	53
5 000	—	-81	130	49	—	-54	90	36
10 000	—	-95	130	35	—	-63	90	27
12 000	—	-102	130	28	—	-68	90	22
15 000	—	-113	130	17	—	-75	90	15
17 000	—	-113	130	17	—	-75	90	15
20 000	—	-120	130	10	—	-80	90	10
25 000	257	-143	130	244	90	-95	90	85
30 000	591	-166	170	595	240	-111	150	279
35 000	820	-190	207	837	374	-126	212	459
40 000	960	-215	107	852	524	-143	137	518
45 000	1 100	-241	7	866	674	-160	62	576
50 000	995	-267	0	728	824	-177	0	647
75 000	1 808	-395	0	1 413	2 324	-262	0	2 061
100 000	2 808	-527	0	2 281	3 824	-350	0	3 474

□ Couples without children

TABLE A.18
TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A COUPLE WITHOUT CHILDREN AND WITH TWO EMPLOYMENT INCOMES
(In dollars)

Employment income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
0	—	-39	130	91	—	-26	90	64
5 000	—	-55	130	75	—	-36	90	54
10 000	—	-57	130	73	—	-38	90	52
12 000	—	-58	130	72	—	-38	90	52
15 000	—	-64	130	66	—	-42	90	48
17 000	—	-72	130	58	—	-48	90	42
20 000	112	-84	130	158	147	-56	90	181
25 000	212	-104	130	238	147	-69	90	168
30 000	312	-123	170	359	147	-82	150	215
35 000	412	-142	220	490	147	-94	225	278
40 000	512	-162	158	508	147	-108	188	228
45 000	672	-182	58	548	207	-121	113	199
50 000	862	-203	0	659	297	-135	38	201
75 000	1 442	-304	0	1 138	897	-202	0	695
100 000	2 072	-406	0	1 666	1 947	-269	0	1 678

Note: It is assumed that one spouse earns 60% of the household employment income, and the other, 40%.

TABLE A.19

TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A COUPLE WITHOUT CHILDREN AND WITH ONE EMPLOYMENT INCOME

(In dollars)

Employment income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
0	—	-39	130	91	—	-26	90	64
5 000	—	-55	130	75	—	-37	90	53
10 000	—	-57	130	73	—	-38	90	52
12 000	—	-57	130	73	—	-38	90	52
15 000	—	-64	130	66	—	-42	90	48
17 000	—	-72	130	58	—	-48	90	42
20 000	112	-84	130	158	147	-56	90	181
25 000	212	-104	130	238	147	-69	90	168
30 000	462	-123	170	509	297	-82	150	365
35 000	592	-142	220	670	447	-94	225	578
40 000	642	-162	158	638	597	-108	188	678
45 000	692	-182	58	568	747	-121	113	739
50 000	742	-203	0	539	897	-135	38	801
75 000	1 742	-304	0	1 438	2 397	-202	0	2 195
100 000	2 742	-406	0	2 336	3 897	-269	0	3 628

□ Persons under 65 years of age who live alone

TABLE A.20
TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE
(In dollars)

Employment income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
0	—	-22	130	108	—	-15	90	75
5 000	—	-33	130	97	—	-22	90	68
10 000	—	-38	130	92	—	-25	90	65
12 000	75	-46	130	159	90	-30	90	149
15 000	135	-56	130	209	90	-38	90	142
17 000	175	-64	130	241	90	-42	90	137
20 000	235	-75	130	290	90	-50	90	130
25 000	335	-93	130	372	90	-62	90	118
30 000	597	-110	170	657	240	-73	150	317
35 000	736	-127	207	816	374	-84	212	501
40 000	786	-145	107	748	524	-96	137	564
45 000	836	-163	7	680	674	-108	62	627
50 000	886	-182	0	704	824	-120	0	703
75 000	1 886	-272	0	1 614	2 324	-181	0	2 143
100 000	2 886	-363	0	2 523	3 824	-241	0	3 583

□ Elderly persons

TABLE A.21
TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A PERSON AGED 65 OR OLDER WHO LIVES ALONE
(In dollars)

Total income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
12 000	—	-50	130	80	—	-33	90	57
15 000	—	-60	130	70	—	-40	90	50
17 000	—	-67	130	63	90	-44	90	135
20 000	171	-76	130	225	90	-50	90	129
25 000	271	-92	130	309	90	-61	90	119
30 000	533	-109	170	594	240	-72	150	317
35 000	678	-126	207	759	390	-84	212	518
40 000	743	-144	107	706	540	-96	137	581
45 000	808	-162	7	653	690	-108	62	644
50 000	873	-180	0	693	840	-120	0	720
75 000	1 903	-270	0	1 633	2 301	-179	0	2 121
100 000	2 897	-360	0	2 537	3 801	-239	0	3 561

TABLE A.22
TOTAL IMPACT OF THE TAX REDUCTION, THE QST INCREASE AND THE INCREASE IN THE QST CREDIT FOR A COUPLE AGED 65 OR OLDER
(In dollars)

Total income	Proposal 3				Proposal 5			
	Tax reduction	QST increase	Increase in the QST credit	Net gain	Tax reduction	QST increase	Increase in the QST credit	Net gain
20 000	—	-94	130	36	—	-62	90	28
25 000	—	-117	130	13	—	-77	90	13
30 000	216	-138	170	248	147	-91	150	206
35 000	481	-159	220	542	297	-105	225	417
40 000	626	-181	158	603	447	-120	188	515
45 000	691	-204	58	545	597	-135	113	575
50 000	756	-227	0	529	747	-151	38	635
75 000	1 760	-340	0	1 420	2 275	-235	0	2 040
100 000	2 680	-454	0	2 226	3 667	-301	0	3 366

Appendix 5: Impact of the proposals on the average tax rates and the marginal tax rates

TABLE A.23
IMPACT OF THE PROPOSALS ON THE AVERAGE TAX RATES (AR) AND THE MARGINAL TAX RATES (MR)[1] FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(Percentage)

	Current system				Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
	Québec		Ontario											
Employment income	AR	MR	AR	MR	AR	MR	AR	MR	AR	MR	AR	MR	AR	MR
$15 000	1.0	13.3	1.2	16.0	1.0	13.3	1.0	13.3	1.0	13.3	1.0	13.3	1.0	13.3
$25 000	5.9	13.3	7.1	16.0	5.9	13.3	5.9	13.3	5.9	13.3	5.9	13.3	5.9	13.3
$35 000	13.2	49.9	15.3	40.9	11.1	43.3	11.8	47.1	11.3	47.1	11.9	46.9	11.9	46.9
$50 000	24.4	53.7	21.7	36.5	21.7	51.1	22.6	47.9	22.2	47.9	22.6	47.7	22.6	47.7
$75 000	32.9	51.7	28.8	48.8	32.0	51.7	30.9	47.7	30.7	47.7	30.7	50.7	29.7	45.7
$100 000	37.6	51.7	33.8	48.8	36.9	51.7	35.1	50.7	35.0	49.7	35.7	50.7	33.7	45.7

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax in the 1999 federal budget.

1. Includes Québec or Ontario income tax and federal income tax.

TABLE A.24

IMPACT OF THE PROPOSALS ON THE AVERAGE TAX RATES (AR) AND THE MARGINAL TAX RATES (MR)[1] FOR A PERSON LIVING ALONE

(Percentage)

Employment income	Current system				Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
	Québec		Ontario											
	AR	MR	AR	MR	AR	MR	AR	MR	AR	MR	AR	MR	AR	MR
$15 000	12.4	33.3	11.3	22.4	11.9	32.3	11.9	32.3	11.5	31.3	11.8	33.3	11.8	33.3
$25 000	20.8	36.3	15.7	22.4	20.1	32.3	20.1	32.3	19.5	31.3	20.4	33.3	20.4	33.3
$35 000	27.1	43.9	19.6	35.1	25.4	39.9	25.8	42.9	25.0	42.9	26.0	40.9	26.0	40.9
$50 000	32.3	47.7	24.6	36.5	30.7	47.7	31.1	43.7	30.6	43.7	30.7	41.7	30.7	41.7
$75 000	38.2	51.7	31.1	48.8	37.1	51.7	36.1	47.7	35.7	47.7	36.1	50.7	35.1	45.7
$100 000	41.6	51.7	35.5	48.8	40.7	51.7	39.0	50.7	38.7	49.7	39.7	50.7	37.7	45.7

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax in the 1999 federal budget.

1. Includes Québec or Ontario income tax and federal income tax.

Appendix 6: Impact of the proposals on the maximum marginal tax rates

TABLE A.25
IMPACT OF THE PROPOSALS ON THE MAXIMUM MARGINAL TAX RATES
(Percentage)

	Current rate	Difference with respect to other jurisdictions				
		Current system	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Rate in Québec	51.7	51.7	51.7	50.7	49.7	50.7	45.7
Other Canadian provinces							
Alberta	44.7	7.0	7.0	6.0	5.0	6.0	1.0
New Brunswick	49.2	2.5	2.5	1.5	0.5	1.5	-3.5
Ontario	48.8	2.9	2.9	1.9	0.9	1.9	-3.1
Nova Scotia	48.8	2.9	2.9	1.9	0.9	1.9	-3.1
Manitoba	49.0	2.7	2.7	1.7	0.7	1.7	-3.3
Prince Edward Island	49.4	2.3	2.3	1.3	0.3	1.3	-3.7
Saskatchewan	50.4	1.3	1.3	0.3	-0.7	0.3	-4.7
British Columbia	51.8	-0.1	-0.1	-1.1	-2.1	-1.1	-6.1
Newfoundland	52.5	-0.8	-0.8	-1.8	-2.8	-1.8	-6.8
Certain U.S. states							
Pennsylvania	41.3	10.4	10.4	9.4	8.4	9.4	4.4
New York	43.7	8.0	8.0	7.0	6.0	7.0	2.0
Massachusetts	43.2	8.5	8.5	7.5	6.5	7.5	2.5

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax in the 1999 federal budget.

Appendix 7: Impact of the proposals on the difference between the amounts of income tax payable in Québec and Ontario

TABLE A.26
IMPACT OF THE PROPOSALS ON THE DIFFERENCE BETWEEN THE AMOUNTS OF INCOME TAX PAYABLE IN QUÉBEC AND ONTARIO
(In dollars)

Category of households	Employment income	Income tax[1]	Québec-Ontario difference					
			Current system	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Couple with two children and one employment income	15 000	—	—	—	—	—	—	—
	30 000	—	-633	-633	-633	-633	-633	-633
	50 000	11 054	1 037	-306	126	-37	140	140
	75 000	24 689	3 090	2 371	1 611	1 448	1 442	692
	100 000	37 605	3 813	3 094	1 334	1 171	1 916	-84
Person living alone	15 000	1 086	-55	-134	-134	-190	-145	-145
	30 000	6 701	1 692	1 307	1 307	1 095	1 452	1 452
	50 000	16 162	3 863	3 033	3 273	2 977	3 039	3 039
	75 000	28 647	5 317	4 487	3 727	3 431	3 743	2 993
	100 000	41 564	6 040	5 211	3 451	3 154	4 216	2 216

Note: Includes the impact of changes announced in the provincial budgets tabled before March 10, 1999, and the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget.

1. Federal and provincial income taxes, including refundable tax credits, the child tax benefit and the family allowance.

Appendix 8: Combined impact of the 1998 tax reform and the income tax reduction of $1.3 billion

□ Families with children

TABLE A.27
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES
(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-208	—	—	—	—	—	—	—	—	—	—	—
10 000	-272	—	—	—	—	—	—	—	—	—	—	—
15 000	-289	—	—	—	—	—	—	—	—	—	—	—
20 000	-300	—	—	—	—	—	—	—	—	—	—	—
25 000	-300	—	—	—	—	—	—	—	—	—	—	—
30 000	38	155	155	407.9	155	407.9	155	407.9	155	407.9	155	407.9
35 000	1 232	137	550	44.6	478	38.8	611	49.6	284	23.1	284	23.1
40 000	2 549	154	747	29.3	635	24.9	818	32.1	301	11.8	301	11.8
45 000	3 907	152	985	25.2	833	21.3	1 066	27.3	359	9.2	359	9.2
50 000	5 265	120	1 223	23.2	1 031	19.6	1 314	25.0	417	7.9	417	7.9
75 000	11 129	324	1 443	13.0	1 203	10.8	1 666	15.0	1 221	11.0	1 221	11.0
100 000	17 265	410	1 919	11.1	1 839	10.7	2 382	13.8	2 357	13.7	2 357	13.7

1. Net income tax: income tax minus refundable tax credits.

2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

Note: It is assumed that one spouse earns 60% of the household employment income, and the other, 40%.

TABLE A.28
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-259	—	—	—	—	—	—	—	—	—	—	—
10 000	-398	—	—	—	—	—	—	—	—	—	—	—
15 000	-436	—	—	—	—	—	—	—	—	—	—	—
20 000	-464	—	—	—	—	—	—	—	—	—	—	—
25 000	-485	—	—	—	—	—	—	—	—	—	—	—
30 000	395	713	713	180.5	713	180.5	713	180.5	713	180.5	713	180.5
35 000	2 031	707	1 420	69.9	1 198	59.0	1 361	67.0	1 154	56.8	1 154	56.8
40 000	3 574	729	1 712	47.9	1 360	38.1	1 523	42.6	1 326	37.1	1 326	37.1
45 000	5 060	765	1 928	38.1	1 536	30.4	1 699	33.6	1 512	29.9	1 512	29.9
50 000	6 612	867	2 210	33.4	1 778	26.9	1 941	29.4	1 764	26.7	1 764	26.7
75 000	13 279	974	1 693	12.7	2 453	18.5	2 616	19.7	2 621	19.7	3 371	25.4
100 000	19 879	1 074	1 793	9.0	3 553	17.9	3 716	18.7	2 971	14.9	4 971	25.0

1. Net income tax: income tax minus refundable tax credits.
2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

TABLE A.29
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A SINGLE-PARENT FAMILY WITH ONE CHILD
(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-288	—	—	—	—	—	—	—	—	—	—	—
10 000	-351	—	—	—	—	—	—	—	—	—	—	—
15 000	-374	—	—	—	—	—	—	—	—	—	—	—
20 000	-379	37	37	—	37	—	37	—	37	—	37	—
25 000	1 163	853	993	85.4	993	85.4	1 110	95.4	943	81.1	943	81.1
30 000	2 851	802	1 252	43.9	1 220	42.8	1 393	48.9	1 042	36.5	1 042	36.5
35 000	4 381	616	1 401	32.0	1 178	26.9	1 436	32.8	990	22.6	990	22.6
40 000	5 814	513	1 568	27.0	1 215	20.9	1 473	25.3	1 037	17.8	1 037	17.8
45 000	7 044	294	1 529	21.7	1 136	16.1	1 394	19.8	968	13.7	968	13.7
50 000	8 275	319	1 489	18.0	1 056	12.8	1 314	15.9	1 143	13.8	1 143	13.8
75 000	14 819	364	1 155	7.8	1 915	12.9	2 172	14.7	1 938	13.1	2 688	18.1
100 000	21 419	464	1 255	5.9	3 014	14.1	3 272	15.3	2 288	10.7	4 288	20.0

1. Net income tax: income tax minus refundable tax credits.
2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

□ Couples without children

TABLE A.30
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A COUPLE WITHOUT CHILDREN AND WITH TWO EMPLOYMENT INCOMES
(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-208	—	—	—	—	—	—	—	—	—	—	—
10 000	-197	—	—	—	—	—	—	—	—	—	—	—
15 000	-92	151	151	—	151	—	151	—	151	—	151	—
20 000	585	686	765	130.8	765	130.8	798	136.4	833	142.4	833	142.4
25 000	1 371	520	649	47.3	649	47.3	732	53.4	667	48.7	667	48.7
30 000	2 340	293	472	20.2	472	20.2	605	25.9	440	18.8	440	18.8
35 000	3 308	103	332	10.0	332	10.0	515	15.6	250	7.6	250	7.6
40 000	4 338	133	412	9.5	412	9.5	645	14.9	280	6.5	280	6.5
45 000	5 408	143	532	9.8	532	9.8	815	15.1	350	6.5	350	6.5
50 000	6 479	124	653	10.1	653	10.1	986	15.2	421	6.5	421	6.5
75 000	12 199	244	1 413	11.6	1 173	9.6	1 686	13.8	1 141	9.4	1 141	9.4
100 000	18 365	360	1 919	10.4	1 839	10.0	2 432	13.2	2 307	12.6	2 307	12.6

1. Net income tax: income tax minus refundable tax credits.
2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

TABLE A.31
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A COUPLE WITHOUT CHILDREN AND WITH ONE EMPLOYMENT INCOME
(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-208	—	—	—	—	—	—	—	—	—	—	—
10 000	-208	8	8	—	8	—	8	—	8	—	8	—
15 000	-136	135	135	—	135	—	135	—	135	—	135	—
20 000	955	1 095	1 174	122.9	1 174	122.9	1 207	126.4	1 242	130.1	1 242	130.1
25 000	2 005	1 197	1 326	66.1	1 326	66.1	1 409	70.3	1 344	67.0	1 344	67.0
30 000	3 117	962	1 291	41.4	1 291	41.4	1 424	45.7	1 259	40.4	1 259	40.4
35 000	4 228	723	1 252	29.6	1 102	26.1	1 315	31.1	1 170	27.7	1 170	27.7
40 000	5 386	731	1 400	26.0	1 160	21.5	1 373	25.5	1 328	24.7	1 328	24.7
45 000	6 616	811	1 530	23.1	1 290	19.5	1 503	22.7	1 558	23.5	1 558	23.5
50 000	7 847	892	1 661	21.2	1 421	18.1	1 634	20.8	1 789	22.8	1 789	22.8
75 000	14 379	924	1 693	11.8	2 453	17.1	2 666	18.5	2 571	17.9	3 321	23.1
100 000	20 979	1 024	1 793	8.5	3 553	16.9	3 766	18.0	2 921	13.9	4 921	23.5

1. Net income tax: income tax minus refundable tax credits.
2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

□ Persons under 65 years of age who live alone

TABLE A.32
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE
(In dollars)

Employment income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
0	-178	—	—	—	—	—	—	—	—	—	—	—
10 000	-275	8	8	—	8	—	8	—	8	—	8	—
15 000	757	270	349	46.1	349	46.1	405	53.5	360	47.6	360	47.6
20 000	1 913	479	608	31.8	608	31.8	714	37.3	569	29.7	569	29.7
25 000	2 995	614	793	26.5	793	26.5	949	31.7	704	23.5	704	23.5
30 000	4 228	361	746	17.6	746	17.6	958	22.7	601	14.2	601	14.2
35 000	5 457	186	776	14.2	626	11.5	922	16.9	560	10.3	560	10.3
40 000	6 648	116	846	12.7	606	9.1	902	13.6	640	9.6	640	9.6
45 000	7 879	176	956	12.1	716	9.1	1 012	12.8	850	10.8	850	10.8
50 000	9 109	257	1 087	11.9	847	9.3	1 143	12.5	1 081	11.9	1 081	11.9
75 000	15 677	325	1 155	7.4	1 915	12.2	2 211	14.1	1 899	12.1	2 649	16.9
100 000	22 277	425	1 255	5.6	3 015	13.5	3 311	14.9	2 249	10.1	4 249	19.1

1. Net income tax: income tax minus refundable tax credits.
2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

□ Elderly persons

TABLE A.33
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A PERSON AGED 65 OR OLDER WHO LIVES ALONE
(In dollars)

Total income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
15 000	-476	48	48	—	48	—	48	—	48	—	48	—
20 000	1 082	545	642	59.3	642	59.3	716	66.2	635	58.7	635	58.7
25 000	2 329	864	1 011	43.4	1 011	43.4	1 135	48.7	954	41.0	954	41.0
30 000	4 026	1 044	1 397	34.7	1 397	34.7	1 577	39.2	1 284	31.9	1 284	31.9
35 000	5 670	1 179	1 740	30.7	1 590	28.0	1 857	32.8	1 569	27.7	1 569	27.7
40 000	7 061	1 097	1 805	25.6	1 565	22.2	1 840	26.1	1 637	23.2	1 637	23.2
45 000	8 313	933	1 698	20.4	1 459	17.6	1 741	20.9	1 623	19.5	1 623	19.5
50 000	9 533	830	1 653	17.3	1 413	14.8	1 703	17.9	1 670	17.5	1 670	17.5
75 000	16 049	269	1 096	6.8	1 856	11.6	2 172	13.5	1 820	11.3	2 570	16.0
100 000	22 592	372	1 196	5.3	2 956	13.1	3 269	14.5	2 173	9.6	4 173	18.5

1. Net income tax: income tax minus refundable tax credits.
2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

TABLE A.34
COMBINED IMPACT OF THE 1998 TAX REFORM AND THE PROPOSALS FOR A COUPLE AGED 65 OR OLDER
(In dollars)

Total income	Net income tax before 1998 reform[1]	Impact of 1998 reform[2]	Income tax reductions under the 1998 reform and the proposals									
			Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
			$	%	$	%	$	%	$	%	$	%
25 000	490	1 021	1 021	208.4	1 021	208.4	1 021	208.4	1 021	208.4	1 021	208.4
30 000	1 595	956	1 087	68.2	1 087	68.2	1 172	73.5	1 103	69.2	1 103	69.2
35 000	3 149	992	1 331	42.3	1 331	42.3	1 472	46.7	1 289	40.9	1 289	40.9
40 000	4 786	1 083	1 629	34.0	1 479	30.9	1 709	35.7	1 530	32.0	1 530	32.0
45 000	6 285	1 217	1 911	30.4	1 671	26.6	1 908	30.4	1 814	28.9	1 814	28.9
50 000	7 650	1 259	2 010	26.3	1 770	23.1	2 015	26.3	2 006	26.2	2 006	26.2
75 000	14 060	135	954	6.8	1 632	11.6	1 895	13.5	1 762	12.5	2 410	17.1
100 000	20 601	-124	691	3.4	2 251	10.9	2 556	12.4	1 677	8.1	3 543	17.2

1. Net income tax: income tax minus refundable tax credits.

2. Including the increase in refundable tax credits resulting from the adoption of a single reduction threshold of $26 000.

Appendix 9: Comparison of the purchasing power in Montréal and certain U.S. cities

□ Boston

TABLE A.35
COMPARISON OF THE PURCHASING POWER OF MONTRÉAL AND BOSTON HOUSEHOLDS WITH IDENTICAL CHARACTERISTICS AND COMPARABLE EMPLOYMENT
(In Canadian dollars)

	Purchasing power in Montréal			Variation in purchasing power following a move to Boston			
	Wages	Income tax and other taxes[1]	Wages after income tax and other taxes	Wages[2]	Income tax and other taxes[1]	Cost of living[3]	Variation in purchasing power
Low-income households							
Couple with one child under 6[4]	30 000	-3 236	26 764	2 598	-1 127	-12 895	-11 424
Person living alone	15 000	-2 766	12 234	1 479	-293	-9 437	-8 251
Middle-income households							
Couple with two children under 6[4]	50 000	-7 684	42 316	4 569	-4 519	-10 710	-10 660
Person living alone	50 000	-21 136	28 864	16 126	603	-8 858	7 871
High-income households							
Couple with two children 17 and 18 years of age	100 000	-38 390	61 610	30 837	-1 169	-23 737	5 931
Person living alone	100 000	-46 237	53 763	41 935	-2 114	-12 402	27 419

1. Tax system in effect in 1999, not including the impact of the 1999-2000 Québec Budget. Includes the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget. For Boston, tax system in effect in 1998.
2. Wages adjusted to take into account the fact that remuneration for comparable employment is higher in Boston than in Montréal.
3. Corresponds to the difference, in 1997, in the cost of an identical group of goods and services in Montréal and Boston. Based on the study *Personal Taxation and the Cost of Living*, published in 1998.
4. For couples with children under 6, the Québec income tax data take into account the fact that, as part of the new family policy, a portion of the child-care assistance provided by Québec is now paid in the form of a reduction in child-care fees rather than through the tax credit for child-care expenses.

Sources: Economic Research Institute (Washington) and ministère des Finances.

□ New York

TABLE A.36
COMPARISON OF THE PURCHASING POWER OF MONTRÉAL AND NEW YORK HOUSEHOLDS WITH IDENTICAL CHARACTERISTICS AND COMPARABLE EMPLOYMENT
(In Canadian dollars)

	Purchasing power in Montréal			Variation in purchasing power following a move to New York			
	Wages	Income tax and other taxes[1]	Wages after income tax and other taxes	Wages[2]	Income tax and other taxes[1]	Cost of living[3]	Variation in purchasing power
Low-income households							
Couple with one child under 6[4]	30 000	-3 236	26 764	4 898	-2 765	-17 907	-15 774
Person living alone	15 000	-2 766	12 234	2 898	-939	-10 183	-8 224
Middle-income households							
Couple with two children under 6[4]	50 000	-7 684	42 316	8 763	-5 683	-12 952	-9 872
Person living alone	50 000	-21 136	28 864	20 066	-1 490	-9 778	8 798
High-income households							
Couple with two children 17 and 18 years of age	100 000	-38 390	61 610	38 260	-3 039	-28 130	7 091
Person living alone	100 000	-46 237	53 763	47 641	-3 519	-19 543	24 579

1. Tax system in effect in 1999, not including the impact of the 1999-2000 Québec Budget. Includes the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget. For New York, tax system in effect in 1998.
2. Wages adjusted to take into account the fact that remuneration for comparable employment is higher in New York than in Montréal.
3. Corresponds to the difference, in 1997, in the cost of an identical group of goods and services in Montréal and New York. Based on the study *Personal Taxation and the Cost of Living*, published in 1998.
4. For couples with children under 6, the Québec income tax data take into account the fact that, as part of the new family policy, a portion of the child-care assistance provided by Québec is now paid in the form of a reduction in child-care fees rather than through the tax credit for child-care expenses.

Sources: Economic Research Institute (Washington) and ministère des Finances.

□ Philadelphia

TABLE A.37
COMPARISON OF THE PURCHASING POWER OF MONTRÉAL AND PHILADELPHIA HOUSEHOLDS WITH IDENTICAL CHARACTERISTICS AND COMPARABLE EMPLOYMENT
(In Canadian dollars)

	Purchasing power in Montréal			Variation in purchasing power following a move to Philadelphia			
	Wages	Income tax and other taxes[1]	Wages after income tax and other taxes	Wages[2]	Income tax and other taxes[1]	Cost of living[3]	Variation in purchasing power
Low-income households							
Couple with one child under 6[4]	30 000	-3 236	26 764	1 507	-2 537	-11 573	-12 603
Person living alone	15 000	-2 766	12 234	1 261	-1 226	-7 080	-7 045
Middle-income households							
Couple with two children under 6[4]	50 000	-7 684	42 316	3 189	-6 166	-10 518	-13 495
Person living alone	50 000	-21 136	28 864	14 779	-910	-6 769	7 100
High-income households							
Couple with two children 17 and 18 years of age	100 000	-38 390	61 610	27 868	-2 401	-22 361	3 106
Person living alone	100 000	-46 237	53 763	38 954	-2 604	-11 876	24 474

1. Tax system in effect in 1999, not including the impact of the 1999-2000 Québec Budget. Includes the full-year impact, that is, for the 2000 taxation year, of changes to income tax and the GST credit in the 1999 federal budget. For Philadelphia, tax system in effect in 1998.
2. Wages adjusted to take into account the fact that remuneration for comparable employment is higher in Philadelphia than in Montréal.
3. Corresponds to the difference, in 1997, in the cost of an identical group of goods and services in Montréal and Philadelphia. Based on the study *Personal Taxation and the Cost of Living*, published in 1998.
4. For couples with children under 6, the Québec income tax data take into account the fact that, as part of the new family policy, a portion of the child-care assistance provided by Québec is now paid in the form of a reduction in child-care fees rather than through the tax credit for child-care expenses.

Sources: Economic Research Institute (Washington) and ministère des Finances.

Appendix 10: Comparison of net Québec income tax before the 1998 reform and after each proposal

TABLE A.38
COMPARISON OF NET QUÉBEC INCOME TAX BEFORE THE 1998 REFORM AND AFTER EACH PROPOSAL FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME
(In dollars)

	Net Québec income tax[1]											
			After the 1998 reform and the proposals									
	Before the 1998 reform		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
Employment income	$	% of income	$	% of income	$	% of income	$	% of income	$	% of income	$	% of income
0	-259	—	-259	—	-259	—	-259	—	-259	—	-259	—
10 000	-398	—	-398	—	-398	—	-398	—	-398	—	-398	—
15 000	-436	—	-436	—	-436	—	-436	—	-436	—	-436	—
20 000	-464	—	-464	—	-464	—	-464	—	-464	—	-464	—
25 000	-485	—	-485	—	-485	—	-485	—	-485	—	-485	—
30 000	395	1.3	-318	—	-318	—	-318	—	-318	—	-318	—
35 000	2 031	5.8	611	1.7	833	2.4	670	1.9	877	2.5	877	2.5
40 000	3 574	8.9	1 862	4.7	2 214	5.5	2 051	5.1	2 248	5.6	2 248	5.6
45 000	5 060	11.2	3 132	7.0	3 524	7.8	3 361	7.5	3 548	7.9	3 548	7.9
50 000	6 612	13.2	4 402	8.8	4 834	9.7	4 671	9.3	4 848	9.7	4 848	9.7
75 000	13 279	17.7	11 586	15.4	10 826	14.4	10 663	14.2	10 658	14.2	9 908	13.2
100 000	19 879	19.9	18 086	18.1	16 326	16.3	16 163	16.2	16 908	16.9	14 908	14.9

1. Net income tax: income tax minus refundable tax credits.

TABLE A.39

COMPARISON OF NET QUÉBEC INCOME TAX BEFORE THE 1998 REFORM AND AFTER EACH PROPOSAL FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE

(In dollars)

	Net Québec income tax[1]											
			After the 1998 reform and the proposals									
	Before the 1998 reform		Proposal 1		Proposal 2		Proposal 3		Proposal 4		Proposal 5	
Employment income	$	% of income	$	% of income	$	% of income	$	% of income	$	% of income	$	% of income
0	-178	—	-178	—	-178	—	-178	—	-178	—	-178	—
10 000	-275	—	-283	—	-283	—	-283	—	-283	—	-283	—
15 000	757	5.0	408	2.7	408	2.7	352	2.3	397	2.6	397	2.6
20 000	1 913	9.6	1 305	6.5	1 305	6.5	1 199	6.0	1 344	6.7	1 344	6.7
25 000	2 995	12.0	2 202	8.8	2 202	8.8	2 046	8.2	2 291	9.2	2 291	9.2
30 000	4 228	14.1	3 482	11.6	3 482	11.6	3 270	10.9	3 627	12.1	3 627	12.1
35 000	5 457	15.6	4 682	13.4	4 832	13.8	4 535	13.0	4 897	14.0	4 897	14.0
40 000	6 648	16.6	5 803	14.5	6 043	15.1	5 746	14.4	6 008	15.0	6 008	15.0
45 000	7 879	17.5	6 924	15.4	7 164	15.9	6 867	15.3	7 029	15.6	7 029	15.6
50 000	9 109	18.2	8 023	16.0	8 263	16.5	7 966	15.9	8 028	16.1	8 028	16.1
75 000	15 677	20.9	14 523	19.4	13 762	18.3	13 466	18.0	13 778	18.4	13 028	17.4
100 000	22 277	22.3	21 023	21.0	19 263	19.3	18 966	19.0	20 028	20.0	18 028	18.0

1. Net income tax: income tax minus refundable tax credits.

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